

**GRANDTECH C.G. SYSTEMS INC. AND
SUBSIDIARIES**
**CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS**
DECEMBER 31, 2013 AND 2012

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

**GRANDTECH C.G. SYSTEMS INC.
SUBSIDIARIES**

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資誠

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of GRANDTECH C.G. SYSTEMS INC.

We have audited the accompanying consolidated balance sheets of GrandTech C.G. Systems Inc. and its subsidiaries as of December 31, 2013, December 31, 2012, and January 1, 2012, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of \$1,001,340 thousand, \$277,361 thousand and \$250,308 thousand, constituting 34.18%, 13.75% and 12.28% of the total consolidated assets as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, and net operating revenue of \$573,599 thousand and \$492,600 thousand, constituting 16.14% and 13.37% of the total consolidated net operating revenue for the years ended December 31, 2013 and 2012, respectively. We also did not audit the financial statements of the subsidiaries' investments accounted for using the equity method. These long-term investments amounted to \$6,834 thousand as of December 31, 2013, and the related investment loss was \$4,666 thousand for the year then ended. Those financial statements and the information disclosed on Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, is based solely on the audit reports of the other independent accountants.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable

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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 reports of the other independent accountants provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other independent accountants, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GrandTech C.G. Systems Inc. and its subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and their financial performance and cash flows for the years ended December 31, 2013 and 2012 in conformity with the “Rules Governing the Preparations of Financial Statements by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

As described in Notes 4(3) and 6(27) of the consolidated financial statements, the Board of Directors of GrandTech C.G. Systems Inc. has approved in July 2013 to invest in Honlynn Inc., and the Company has consolidated Honlynn Inc. starting from October 31, 2013. Honlynn Inc., held assets and liabilities of \$809,129 thousand and \$516,762 thousand, constituting 27.62% and 31.06% of the total consolidated assets and liabilities as of December 31, 2013, respectively, and generated net operating revenue of \$279,797 thousand, constituting 7.87% of the total consolidated net operating revenue for the period from November 1, 2013 to December 31, 2013.



資誠

We have also audited the non-consolidated financial statements of GrandTech C.G. Systems Inc. (not presented herein) as of and for the years ended December 31, 2013 and 2012, on which we have expressed a modified unqualified opinion on such financial statements.

PricewaterhouseCoopers Taiwan

PricewaterhouseCoopers
Taipei, Taiwan
Republic of China

March 18, 2014

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

GRANDTECH C.G. SYSTEMS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2013		December 31, 2012		January 1, 2012		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 631,632	22	\$ 278,502	14	\$ 312,368	15
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		-	-	-	-	6,019	-
1125	Available-for-sale financial assets - 6(3)							
	current		12,710	-	5,770	-	7,233	-
1150	Notes receivable, net	6(4) and 7	92,084	3	54,846	3	79,100	4
1170	Accounts receivable, net	6(5) and 7	943,774	32	796,033	39	778,994	38
1200	Other receivables		14,305	1	5,059	-	27,942	2
130X	Inventories	6(6)	327,836	11	352,675	18	266,612	13
1470	Other current assets	8	70,347	2	37,050	2	39,450	2
11XX	Total current assets		<u>2,092,688</u>	<u>71</u>	<u>1,529,935</u>	<u>76</u>	<u>1,517,718</u>	<u>74</u>
Non-current assets								
1543	Financial assets carried at cost -	6(7)						
	non-current		26,953	1	37,217	2	23,753	1
1550	Investments accounted for using	6(8)						
	equity method		6,834	-	-	-	-	-
1600	Property, plant and equipment	6(9) and 8	688,966	24	366,332	18	326,014	16
1780	Intangible assets		12,340	-	585	-	1,248	-
1840	Deferred income tax assets	6(25)	15,515	1	8,904	-	5,938	1
1900	Other non-current assets	6(10)(16)						
		and 8	86,694	3	74,623	4	163,037	8
15XX	Total non-current assets		<u>837,302</u>	<u>29</u>	<u>487,661</u>	<u>24</u>	<u>519,990</u>	<u>26</u>
1XXX	Total assets		<u>\$ 2,929,990</u>	<u>100</u>	<u>\$ 2,017,596</u>	<u>100</u>	<u>\$ 2,037,708</u>	<u>100</u>

(Continued)

GRANDTECH C.G. SYSTEMS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2013		December 31, 2012		January 1, 2012		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term loans	6(11) and 8	\$ 415,000	14	\$ 398,200	20	\$ 268,000	13
2110	Short-term bills payable	6(12)	-	-	49,996	3	29,986	1
2120	Financial liabilities at fair value through profit or loss - current	6(2)	773	-	5,091	-	-	-
2150	Notes payable	7	49,452	2	26,445	1	30,037	1
2170	Accounts payable	7	605,067	21	449,048	22	465,024	23
2200	Other payables	6(13)	166,463	6	107,514	5	137,196	7
2230	Current income tax liabilities		10,519	-	23,537	1	30,843	2
2300	Other current liabilities	6(14)(15)	205,295	7	27,300	2	28,712	1
21XX	Total current liabilities		<u>1,452,569</u>	<u>50</u>	<u>1,087,131</u>	<u>54</u>	<u>989,798</u>	<u>48</u>
Non-current liabilities								
2530	Corporate bonds payable	6(14)	-	-	193,520	10	269,353	13
2540	Long-term loans	6(15) and 8	203,089	7	-	-	-	-
2570	Deferred income tax liabilities	6(25)	168	-	133	-	306	-
2600	Other non-current liabilities	6(16)	7,908	-	9,190	-	12,753	1
25XX	Total non-current liabilities		<u>211,165</u>	<u>7</u>	<u>202,843</u>	<u>10</u>	<u>282,412</u>	<u>14</u>
2XXX	Total liabilities		<u>1,663,734</u>	<u>57</u>	<u>1,289,974</u>	<u>64</u>	<u>1,272,210</u>	<u>62</u>
Equity								
Equity attributable to owners of parent								
Capital								
3110	Share capital - common stock	6(17)	587,483	20	482,603	24	482,603	24
Capital surplus								
3200	Capital surplus	6(18)	389,558	13	143,827	7	148,254	7
Retained earnings								
3310	Legal reserve	6(19)	74,773	2	63,560	3	50,339	2
3320	Special reserve		32,340	1	11,685	1	34,851	2
3350	Undistributed earnings	6(25)	76,884	3	144,420	7	142,895	7
Other equity interest								
3400	Other equity interest		2,843	-	(20,497)	(1)	158	-
3500	Treasury stocks	6(17)	(128,126)	(4)	(128,126)	(6)	(128,126)	(6)
31XX	Total equity attributable to owners of parent		<u>1,035,755</u>	<u>35</u>	<u>697,472</u>	<u>35</u>	<u>730,974</u>	<u>36</u>
36XX	Non-controlling interest		<u>230,501</u>	<u>8</u>	<u>30,150</u>	<u>1</u>	<u>34,524</u>	<u>2</u>
3XXX	Total equity		<u>1,266,256</u>	<u>43</u>	<u>727,622</u>	<u>36</u>	<u>765,498</u>	<u>38</u>
Total liabilities and equity			<u>\$ 2,929,990</u>	<u>100</u>	<u>\$ 2,017,596</u>	<u>100</u>	<u>\$ 2,037,708</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 18, 2014.

GRANDTECH C.G. SYSTEMS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Expressed in thousands of New Taiwan dollars, except for earning per share amount)

Items	Notes	2013		2012	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(20) and 7	\$ 3,553,413	100	\$ 3,685,394	100
5000 Operating costs	6(6)(24) and 7	(2,923,509)	(82)	(2,972,027)	(81)
5900 Gross profit		<u>629,904</u>	<u>18</u>	<u>713,367</u>	<u>19</u>
Operating expenses	6(24)				
6100 Selling expenses		(350,242)	(10)	(383,078)	(10)
6200 General and administrative expenses		(231,010)	(7)	(165,502)	(5)
6000 Total operating expenses		(581,252)	(17)	(548,580)	(15)
6900 Operating profit		<u>48,652</u>	<u>1</u>	<u>164,787</u>	<u>4</u>
Non-operating income and expenses					
7010 Other income	6(21)	46,109	1	4,356	-
7020 Other gains and losses	6(7)(22)	5,868	-	(2,979)	-
7050 Finance costs	6(23)	(10,938)	-	(12,121)	-
7060 Share of (loss) profit of associates and joint ventures accounted for under equity method	6(8)	(4,666)	-	-	-
7000 Total non-operating income and expenses		<u>36,373</u>	<u>1</u>	<u>(10,744)</u>	<u>-</u>
7900 Profit before income tax		<u>85,025</u>	<u>2</u>	<u>154,043</u>	<u>4</u>
7950 Income tax expense	6(25)	(16,099)	-	(41,392)	(1)
8200 Profit for the year		<u>\$ 68,926</u>	<u>2</u>	<u>\$ 112,651</u>	<u>3</u>
Other comprehensive income (loss)					
8310 Financial statements translation differences of foreign operations		\$ 15,994	1	(\$ 20,228)	(1)
8325 Unrealized gain (loss) on valuation of available-for-sale financial assets		6,940	-	(1,463)	-
8360 Actuarial loss on defined benefit plan		(629)	-	(148)	-
8399 Income tax relating to the components of other comprehensive income	6(25)	108	-	25	-
8300 Other comprehensive income (loss) for the year		<u>\$ 22,413</u>	<u>1</u>	<u>(\$ 21,814)</u>	<u>(1)</u>
8500 Total comprehensive income for the year		<u>\$ 91,339</u>	<u>3</u>	<u>\$ 90,837</u>	<u>2</u>
Profit (loss) attributable to:					
8610 Owners of the parent		\$ 63,043	2	\$ 112,267	3
8620 Non-controlling interests		5,883	-	384	-
		<u>\$ 68,926</u>	<u>2</u>	<u>\$ 112,651</u>	<u>3</u>
Comprehensive income (loss) attributable to:					
8710 Owners of the parent		\$ 85,914	3	\$ 91,494	2
8720 Non-controlling interests		5,425	-	(657)	-
		<u>\$ 91,339</u>	<u>3</u>	<u>\$ 90,837</u>	<u>2</u>
Earnings per share (in dollars)	6(26)				
9750 Basic earnings per share		<u>\$</u>	<u>1.32</u>	<u>\$</u>	<u>2.51</u>
9850 Diluted earnings per share		<u>\$</u>	<u>1.29</u>	<u>\$</u>	<u>2.41</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 18, 2014.

GRANDTECH C.G. SYSTEMS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent										Total equity		
	Capital Reserves					Retained Earnings			Other equity interest				
	Share capital - common stock	Capital surplus, additional paid-in capital	Treasury stock transactions	Stock options	Legal reserve	Special reserve	Undistributed earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks		Total	Non-controlling interests
2012													
Balance at January 1, 2012	\$ 482,603	\$ 79,532	\$ -	\$ 68,722	\$ 50,339	\$ 34,851	\$ 142,895	\$ -	\$ 158	(\$ 128,126)	\$ 730,974	\$ 34,524	\$ 765,498
Appropriations of 2011 earnings:													
Legal reserve	-	-	-	-	13,221	-	(13,221)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(23,166)	23,166	-	-	-	(120,569)	-	(120,569)
Cash dividends	-	-	-	-	-	-	(120,569)	-	-	-	(4,427)	-	(4,427)
Callable convertible bonds	-	-	16,236	(20,663)	-	-	-	-	-	-	112,267	384	112,651
Net income for 2012	-	-	-	-	-	-	112,267	-	-	-	20,773	(1,041)	(21,814)
Other comprehensive loss for 2012	-	-	-	-	-	-	(118)	(19,192)	(1,463)	-	(20,773)	(1,041)	(21,814)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3,717)	(3,717)	(3,717)
Balance at December 31, 2012	<u>\$ 482,603</u>	<u>\$ 79,532</u>	<u>\$ 16,236</u>	<u>\$ 48,059</u>	<u>\$ 63,560</u>	<u>\$ 11,685</u>	<u>\$ 144,420</u>	<u>(\$ 19,192)</u>	<u>(\$ 1,305)</u>	<u>(\$ 128,126)</u>	<u>\$ 697,472</u>	<u>\$ 30,150</u>	<u>\$ 727,622</u>
2013													
Balance at January 1, 2013	\$ 482,603	\$ 79,532	\$ 16,236	\$ 48,059	\$ 63,560	\$ 11,685	\$ 144,420	(\$ 19,192)	\$ 1,305	(\$ 128,126)	\$ 697,472	\$ 30,150	\$ 727,622
Appropriations of 2012 earnings:													
Legal reserve	-	-	-	-	11,213	-	(11,213)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	20,655	(20,655)	-	-	-	(98,242)	-	(98,242)
Cash dividends	-	-	-	-	-	-	(98,242)	-	-	-	192,000	-	192,000
Issuance of shares	60,000	132,000	-	-	-	-	-	-	-	-	-	-	-
Compensation cost of capital increase acquired by employees	-	160	-	-	-	-	-	-	-	-	160	-	160
Issuance of share capital, others	44,880	117,585	-	-	-	-	-	-	-	-	162,465	-	162,465
Callable convertible bonds	-	-	17,060	(21,074)	-	-	-	-	-	-	(4,014)	-	(4,014)
Net income for 2013	-	-	-	-	-	-	63,043	-	-	-	63,043	5,883	68,926
Other comprehensive (loss) income for 2013	-	-	-	-	-	-	(469)	16,400	6,940	-	22,871	(458)	22,413
Changes in equity of subsidiaries	-	-	-	-	-	-	-	(2,792)	(5,635)	(128,126)	194,926	(194,926)	194,926
Balance at December 31, 2013	<u>\$ 587,483</u>	<u>\$ 329,277</u>	<u>\$ 33,236</u>	<u>\$ 26,985</u>	<u>\$ 74,773</u>	<u>\$ 32,340</u>	<u>\$ 76,884</u>	<u>(\$ 2,792)</u>	<u>\$ 5,635</u>	<u>(\$ 128,126)</u>	<u>\$ 1,035,755</u>	<u>\$ 230,501</u>	<u>\$ 1,266,256</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 18, 2014.

GRANDTECH C.G. SYSTEMS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars)

	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before tax for the year		\$ 85,025	\$ 154,043
Adjustments to reconcile net income to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Compensation cost of employee stock options		160	-
Depreciation	6(9)(24)	103,784	84,174
Amortization	6(24)	2,841	1,473
Bad debts expense	6(4)(5)	40,473	6,482
Corporate bonds discount amortization	6(23)	3,390	7,236
(Gain) loss on valuation of financial assets and liabilities	6(22)	(1,876)	13,379
Loss on disposal of property, plant and equipment	6(22)	2,724	13
Share of loss of associates accounted for under equity method	6(8)	4,666	-
Bargain purchase gain	6(21)(27)	(41,494)	-
Profit from repurchase of convertible bonds	6(14)	(40)	(1,311)
Impairment loss	6(7)(22)	10,264	6,536
Interest expense	6(23)	7,548	4,885
Interest income	6(21)	(3,015)	(1,508)
Dividend income	6(21)	-	(416)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable, net		765	24,322
Accounts receivable, net		10,302	(23,370)
Other receivables		(4,783)	22,883
Inventories		184,501	(89,849)
Other current assets		(2,979)	4,214
Other non-current assets		(209)	87,798
Net changes in liabilities relating to operating activities			
Notes payable		10,330	(3,592)
Accounts payable		(86,045)	(15,976)
Other payables		35,276	(29,713)
Other current liabilities		6,568	(1,412)
Other non-current liabilities		(228)	(399)
Cash generated from operations		367,948	249,892
Interest received		3,015	1,508
Dividend received		-	416
Income tax paid		(43,355)	(50,614)
Interest paid		(7,669)	(4,854)
Net cash provided by operating activities		<u>319,939</u>	<u>196,348</u>

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GRANDTECH C.G. SYSTEMS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars)

	Notes	2013	2012
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in other current assets		(\$ 24,090)	(\$ 2,546)
Acquisition of financial assets measured at cost		(15)	(20,000)
Proceeds from disposal of financial assets measured at cost		15	-
Increase in investments accounted for using equity method	6(8)	(11,500)	-
Net cash inflow from business combination	6(27)	231,888	-
Decrease in other non-current assets		15,055	572
Acquisition of property, plant and equipment		(115,260)	(119,663)
Proceeds from disposal of property, plant and equipment		416	123
Acquisition of intangible assets		(266)	(80)
Net cash provided by (used in) investing activities		<u>96,243</u>	<u>(141,594)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term loans		(174,644)	130,200
(Decrease) increase in short-term notes and bills payable		(49,996)	20,010
Acquisition of corporate bonds	6(14)	(91,774)	(88,454)
Increase in long-term loans		150,000	-
Decrease in other non-current liabilities		(4,879)	(3,313)
Cash dividends paid	6(19)	(98,242)	(120,569)
Issuance of shares	6(17)	192,000	-
Decrease in non-controlling interests		(1,035)	(3,717)
Net cash used in financing activities		<u>(78,570)</u>	<u>(65,843)</u>
Effect of foreign exchange rates		<u>15,518</u>	<u>(22,777)</u>
Increase (decrease) in cash and cash equivalents		353,130	(33,866)
Cash and cash equivalents at beginning of year	6(1)	<u>278,502</u>	<u>312,368</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 631,632</u>	<u>\$ 278,502</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 18, 2014.

GRANDTECH C.G. SYSTEMS INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION AND SCOPE OF BUSINESS

GrandTech C.G. Systems Inc. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in publishing and sales of popular books, magazines and computer software, as well as design and programming of user friendly functional programs and providing data processing services. The Company was listed in the R.O.C. Over-The-Counter Securities Exchange on January 23, 2002.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 18, 2014.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

Not applicable as it is the first-time adoption of IFRSs by the Group this year.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

IFRS 9, 'Financial Instruments: Classification and measurement of financial assets'

A. The International Accounting Standards Board ("IASB") published IFRS 9, 'Financial Instruments', in November 2009, which will take effect on January 1, 2013 with early application permitted (Through the amendments to IFRS 9 published on November 19, 2013, the IASB has removed the previous mandatory effective date, but the standard is available for immediate application). Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 ("IAS 39"), 'Financial Instruments: Recognition and Measurement' reissued in 2009.

B. IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments, which might affect the accounting treatments for financial instruments of the Group.

C. The Group has not yet evaluated the overall effect of the IFRS 9 adoption. However, based on our preliminary evaluation, it was noted that the IFRS 9 adoption might have an impact on those instruments classified as 'available-for-sale financial assets' held by the Group, as IFRS 9 specifies that the fair value changes in the equity instruments that meet certain criteria may be

reported in other comprehensive income, and such amount that has been recognised in other comprehensive income should not be reclassified to profit or loss when such assets are derecognised.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

The following are the assessment of new standards, interpretations and amendments issued by IASB but not yet endorsed by the FSC (application of the new standards and amendments should follow the regulations of the FSC):

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparer received in IFRS 7, 'Financial Instruments: Disclosures' and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	January 1, 2011
IFRS 9, 'Financial instruments: Classification and measurement of financial liabilities'	IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognizing the liabilities; and all other changes in fair value are recognized in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. (That determination is made at initial recognition and is not reassessed subsequently.)	November 19, 2013 (Not mandatory)

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Disclosures - transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognized and for any continuing involvement in transferred assets, existing at the reporting date.	July 1, 2011
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	When an entity's date of transition to IFRSs is on, or after, the functional currency normalization date, the entity may elect to measure all assets and liabilities held before the functional currency normalization date at fair value on the date of transition to IFRSs. First time adopters are allowed to apply the derecognition requirements in IAS 39, 'Financial instruments: Recognition and measurement', prospectively from the date of transition to IFRSs, and they are allowed not to retrospectively recognize related gains on the date of transition to IFRSs.	July 1, 2011
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes—recovery of revalued non-depreciable assets'.	January 1, 2012
IFRS 10, 'Consolidated financial statements'	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.	January 1, 2013
IFRS 11, 'Joint arrangements'	Judgments applied when assessing the types of joint arrangements-joint operations and joint ventures, the entity should assess the contractual rights and obligations instead of the legal form only. The standard also prohibits the proportional consolidation for joint ventures.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IFRS 12, 'Disclosure of interests in other entities'	The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	January 1, 2013
IAS 27, 'Separate financial Statements' (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, 'Consolidated Financial Statements'.	January 1, 2013
IAS 28, 'Investments in associates and Joint ventures' (as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11, 'Joint arrangements', IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	January 1, 2013
IFRS 13, 'Fair value measurement'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013
IAS 19 revised, 'Employee benefits' (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past service costs will be recognised immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expense, is recognised in other comprehensive income.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	July 1, 2012
IFRIC 20, 'Stripping costs in the production phase of a surface mine'	Stripping costs that meet certain criteria should be recognised as the 'stripping activity asset'. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the entity shall account for the costs of that stripping activity in accordance with IAS 2, 'Inventories'.	January 1, 2013
Disclosures-Offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right to set off the recognised amounts'; and (ii) that some gross settlement mechanisms with certain features may be considered equivalent to net settlement.	January 1, 2014
Government loans (amendment to IFRS 1)	The amendment provides exception to first-time adopters to apply the requirements in IFRS 9, 'Financial instruments', and IAS 20, 'Accounting for government grants and disclosure of government assistance', prospectively to government loans that exist at the date of transition to IFRSs; and first-time adopters should not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Improvements to IFRSs 2009- 2011	Amendments to IFRS 1 and IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013
Consolidated financial statements, joint arrangements and disclosure of interests in other Entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define ‘Investment Entities’ and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit or loss instead of consolidating them.	January 1, 2014
IFRIC 21, ‘Levies’	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognised in accordance with IAS 37, ‘Provisions, contingent liabilities and contingent assets’.	January 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being novated complies with specified criteria.	January 1, 2014

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IFRS 9, "Financial assets: hedge accounting" and amendments to IFRS 9, IFRS 7 and IAS 39	1. IFRS 9 relaxes the requirements for hedged items and hedging instruments and removes the bright line of effectiveness to better align hedge accounting with the risk management activities of an entity. 2. An entity can elect to early adopt the requirement to recognise the changes in fair value attributable to changes in an entity's own credit risk from financial statements are designated under the fair value option in 'other comprehensive income'.	November 19, 2013 (Not mandatory)
Services related contributions from employees or third parties (amendments to IAS 19R)	The amendment allows contributions from employees or third parties that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.	July 1, 2014
Improvements to IFRSs 2010-2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.	July 1, 2014
Improvements to IFRSs 2011-2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	July 1, 2014

The Group is assessing the potential impact of the new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. These consolidated financial statements are the first consolidated financial statements prepared by the Group in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International

Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

B. In the preparation of the balance sheet as of January 1, 2012 (the Group’s date of transition to IFRSs) (“the opening IFRS balance sheet”), the Group has adjusted the amounts that were reported in the consolidated financial statements in accordance with previous R.O.C. GAAP. Please refer to Note 15 for the impact of transitioning from R.O.C. GAAP to IFRSs on the Group’s financial position, financial performance and cash flows.

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Available-for-sale financial assets measured at fair value.
- (c) Liabilities on cash-settled share-based payment arrangements measured at fair value.
- (d) Defined benefit liabilities recognised based on the net amount of pension fund assets plus unrecognised past service cost and unrecognised actuarial losses, and less unrecognised actuarial gains and present value of defined benefit obligation.

B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the

non-controlling interests having a deficit balance.

- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B.Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2013	December 31, 2012	
The Company	GrandTech (B.V.I.) Inc.	Holding company	100	100	-
The Company	GrandTech (Cayman) Inc.	Holding company	100	100	-
The Company	Grand Holding Inc.	Holding company	100	100	-
The Company	Taiwan Imaging Systems Inc. (Taiwan Imaging)	Sale and maintenance of products of information miniature and expendables, and sale, maintenance and rent of office automatic equipment, optical disc system products and expendables	100	100	-
The Company	GrandTech Information Co., Ltd. (GrandTech Information)	Publishing of popular books, etc.	82	80	-
The Company	Ability International Co., Ltd. (Ability International)	Sale, rent and maintenance of office machines and furniture	100	100	-
The Company	Abico Digital Imaging Inc. (Abico Digital)	Sales of computers and optical products	100	100	-
The Company	Honlynn Inc. (Honlynn)	Sale, rent and maintenance of office machines and furniture	51	-	Note
GrandTech (B.V.I.) Inc. and GrandTech (Cayman) Inc.	GrandTech Systems Limited	Drawing agency, multimedia, internet and others relating to computer software and peripherals	100	100	-
GrandTech (B.V.I.) Inc. and GrandTech (Cayman) Inc.	GrandTech (China) Limited	Drawing agency, multimedia, internet and others relating to computer software and peripherals	100	100	-
GrandTech (B.V.I.) Inc.	GrandTech India Private Limited	Drawing agency, multimedia, internet and others relating to computer software and peripherals	100	100	-

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2013	December 31, 2012	
GrandTech (Cayman) Inc.	GrandTech Systems Sdn. Bhd.	Drawing agency, multimedia, internet and others relating to computer software and peripherals	100	100	-
GrandTech (Cayman) Inc.	GrandTech Korea Inc.	Drawing agency, multimedia, internet and others relating to computer software and peripherals	100	100	-
GrandTech (Cayman) Inc.	GrandTech Systems Pte Limited	Drawing agency, multimedia, internet and others relating to computer software and peripherals	72	72	-
Grand Holding Inc.	Infolead Technology Limited	Holding company	100	100	-
Grand Holding Inc.	Bestware International Limited	Holding company	100	100	-
Taiwan Imaging	Topteam Information Co., Ltd. (Topteam Information)	Distribution of information software and book publishing industry	80	80	-
GrandTech (China) Limited	GrandTech Subsidiary in Guangzhou	Data processing and services rendering	100	100	-
GrandTech (China) Limited	GrandTech International (Shanghai) Ltd.	Warehousing, wholesale and international trade	100	100	-
GrandTech (China) Limited	Formerly Ability International (Shanghai)	Warehousing, wholesale and international trade	100	100	-
GrandTech Systems Pte Limited	PT. GrandTech Systems Indonesia	Drawing agency, multimedia, internet and others relating to computer software and peripherals	100	100	-
Ability International Co., Ltd.	Cogate Co., Ltd. (Cogate)	Sales of various microcomputer, business computer, industrial computer and computer software	50.5	51	-

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	Description
			January 1, 2012	
The Company	GrandTech (B.V.I.) Inc.	Holding company	100	-
The Company	GrandTech (Cayman) Inc.	Holding company	100	-
The Company	Grand Holding Inc.	Holding company	100	-
The Company	Taiwan Imaging Systems Inc. (Taiwan Imaging)	Sale and maintenance of products of information miniature and expendables, and sale, maintenance and rent of office automatic equipment, optical disc system products and expendables	100	-
The Company	GrandTech Information Co., Ltd. (GrandTech Information)	Publishing of popular books, etc.	80	-
The Company	Ability International Co., Ltd. (Ability International)	Sale, rent and maintenance of office machines and furniture	100	-
The Company	Abico Digital Imaging Inc. (Abico Digital)	Sales of computers and optical products	100	-
GrandTech (B.V.I.) Inc. and GrandTech (Cayman) Inc.	GrandTech Systems Limited	Drawing agency, multimedia, internet and others relating to computer software and peripherals	100	-
GrandTech (B.V.I.) Inc. and GrandTech (Cayman) Inc.	GrandTech (China) Limited	Drawing agency, multimedia, internet and others relating to computer software and peripherals	100	-
GrandTech (B.V.I.) Inc.	GrandTech India Private Limited	Drawing agency, multimedia, internet and others relating to computer software and peripherals	100	-
GrandTech (Cayman) Inc.	GrandTech Systems Sdn. Bhd.	Drawing agency, multimedia, internet and others relating to computer software and peripherals	100	-
GrandTech (Cayman) Inc.	GrandTech Korea Inc.	Drawing agency, multimedia, internet and others relating to computer software and peripherals	100	-

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	Description
			December 31, 2013	
GrandTech (Cayman) Inc.	GrandTech Systems Pte Limited	Drawing agency, multimedia, internet and others relating to computer software and peripherals	72	-
Grand Holding Inc.	Infolead Technology Limited	Holding company	100	-
Grand Holding Inc.	Bestware International Limited	Holding company	100	-
Taiwan Imaging	Topteam Information Co., Ltd. (Topteam Information)	Distribution of information software and book publishing industry	80	-
GrandTech (China) Limited	GrandTech Subsidiary in Guangzhou	Data processing and services rendering	100	-
GrandTech (China) Limited	GrandTech International (Shanghai) Ltd.	Warehousing, wholesale and international trade	100	-
GrandTech (China) Limited	Formerly Ability International (Shanghai)	Warehousing, wholesale and international trade	100	-
GrandTech Systems Pte Limited	PT. GrandTech Systems Indonesia	Drawing agency, multimedia, internet and others relating to computer software and peripherals	100	-
Ability International Co., Ltd.	Cogate Co., Ltd. (Cogate)	Sales of various microcomputer, business computer, industrial computer and computer software	51	-

Note: The Board of Directors of the Company has resolved in July 2013 to acquire 51% equity of Honlynn Inc. through issuance of new shares. The consolidation was effective on October 31, 2013.

C.Subsidiaries not included in the consolidated financial statements: None.

D.Adjustments for subsidiaries with different balance sheet dates: None.

E.Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'foreign exchange gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or jointly controlled entity, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group retains partial interest in the former foreign associate or jointly controlled entity after losing significant influence over the former foreign associate, or losing joint control of the former jointly controlled entity, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary,

such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

B. On a regular way purchase or sale basis, financial assets held for trading are recognised and derecognised using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(9) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

- (a) Significant financial difficulty of the issuer or debtor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although

the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

- (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at cost

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 current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Lease receivables/ leases (lessor)

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.

- (a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as 'lease receivables' at an amount equal to the net investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognised as 'unearned finance income of finance lease'.
- (b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor's net investment in the

finance lease.

(c) Lease payments (excluding costs for services) relating to the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

B. Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The individual item approach is used in the comparison of cost and net realizable value. Net realizable value 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.

(13) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 per cent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity are not recognised in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	15 ~ 50 years
Leasehold equipment	2 ~ 5 years
Other equipment	2 ~ 5 years

(15) Intangible assets

A. Trademarks

Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks has a finite useful life and are amortised on a straight-line basis over their estimated useful life of 3 years.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Loans

Loans are recognised initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the loans using the effective interest method.

(18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(20) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(21) Financial liabilities and equity instruments

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus—stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

Convertible corporate bonds are accounted for as follows:

- A. Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.
- C. Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in 'capital surplus—stock warrants' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable—net' as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus – stock warrants.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in

respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date).

- ii. Actuarial gains and losses arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise.
- iii. Past service costs are recognised immediately in profit or loss if vested immediately; if not, the past service costs are amortised on a straight-line basis over the vesting period.

C. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates. The Group calculates the number of shares of employees' stock bonus based on the fair value per share at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments

in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Share capital

Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(26) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells software and hardware on behalf of original manufacturers. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the

customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(b) The Group offers customers volume discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised. The volume discounts are estimated based on the anticipated annual sales quantities.

B. Sales of services

The Group provides computer information management and business machine maintenance services. Revenue from delivering services is recognised under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the percentage of the actual services performed as of the financial reporting date to the total services to be performed. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognised only to the extent that contract costs incurred are likely to be recoverable.

(27) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

B. If the total of the fair values of the consideration of acquisition and any non-controlling interest in the acquiree as well as the acquisition-date fair value of any previous equity interest in the acquiree is higher than the fair value of the Group's share of the identifiable net assets acquired, the difference is recorded as goodwill; if less than the fair value of the Group's share of the identifiable net assets acquired (bargain purchase), the difference is recognised directly in profit or loss..

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Financial assets—impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

In principle, sales revenues are recognised when the earning process is completed. The Group estimates discounts and returns based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognised.

The Group reassesses the reasonableness of estimates of discounts and returns periodically.

B. Impairment assessment of tangible and intangible assets (excluding goodwill)

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

C. Realisability of deferred income tax assets

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred income tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

D. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due

to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

E. Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Group must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

F. Financial assets—fair value measurement of unlisted stocks without active market

The fair value of unlisted stocks held by the Group that are not traded in an active market is determined considering those companies' recent funding raising activities and technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) for the financial instruments fair value information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Cash on hand and petty cash (revolving funds)	\$ 1,928	\$ 1,597	\$ 1,695
Checking accounts and demand deposits	542,676	274,245	307,906
Time deposits	87,028	2,660	2,767
	<u>\$ 631,632</u>	<u>\$ 278,502</u>	<u>\$ 312,368</u>

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. The Group has no cash and cash equivalents pledged to others.

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

<u>Items</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Financial assets (liabilities) designated as measured at fair value through profit or loss at initial recognition			
Convertible bonds – call option and put option	\$ 37,228	\$ 37,228	\$ 37,228
Adjustment of financial assets (liabilities) designated as measured at fair value through profit or loss at initial recognition	(38,001)	(42,319)	(31,209)
	<u>(\$ 773)</u>	<u>(\$ 5,091)</u>	<u>\$ 6,019</u>

The Company separately recorded the call and put options from convertible bonds as financial assets (liabilities) designated as measured at fair value through profit or loss at initial recognition since the convertible bonds is a mixed instrument. The Company recognised loss on valuation amounting to \$1,876 and \$13,379 for the years ended December 31, 2013 and 2012, respectively. For the terms and conditions of the Company's second domestic unsecured convertible bonds, please refer to Note 6 (14).

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

<u>Items</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Listed stocks	\$ 7,075	\$ 7,075	\$ 7,075
Adjustment of available-for-sale financial assets	5,635	(1,305)	158
	<u>\$ 12,710</u>	<u>\$ 5,770</u>	<u>\$ 7,233</u>

A. The Group recognised \$6,940 and \$1,463 in other comprehensive income for fair value change for the years ended December 31, 2013 and 2012, respectively.

B. As of December 31, 2013, December 31, 2012 and January 1, 2012, no available-for-sale financial assets held by the Group were pledged to others.

(4) Notes receivable

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Notes receivable	\$ 91,190	\$ 52,205	\$ 77,054
Notes receivable - related parties	1,381	2,947	2,502
Less: Allowance for doubtful accounts	(487)	(306)	(456)
	<u>\$ 92,084</u>	<u>\$ 54,846</u>	<u>\$ 79,100</u>

A.Movement analysis of financial assets that were impaired is as follows:

	<u>2013</u>	<u>2012</u>
At January 1	\$ 306	\$ 456
Acquired from business combinations	87	-
Reversal of impairment	(122)	(69)
Provision for impairment	216	1
Write-offs during the year	-	(82)
At December 31	<u>\$ 487</u>	<u>\$ 306</u>

B.Information about notes receivable that were pledged to others as collateral is provided in Note 8.

(5) Accounts receivable

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Accounts receivable	\$ 1,009,699	\$ 812,467	\$ 754,969
Accounts receivable - related parties	1,182	4,993	40,788
Less: Allowance for doubtful accounts	(67,107)	(21,427)	(16,763)
	<u>\$ 943,774</u>	<u>\$ 796,033</u>	<u>\$ 778,994</u>

A.The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Group A	\$ 135,954	\$ 256,274	\$ 63,084

Group A:Companies listed in Taiwan Stock Exchange and the Taiwan Over-The-Counter Securities Exchange and subsidiaries that are operating normally and with no deficit or based on the company's evaluation had a score of above 90 points and other factors.

B.The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Up to 30 days	\$ -	\$ 10,491	\$ -
31 to 90 days	-	-	-
91 to 180 days	-	-	-
	<u>\$ -</u>	<u>\$ 10,491</u>	<u>\$ -</u>

C.Movement analysis of financial assets that were impaired is as follows:

(a)As of December 31, 2013, December 31, 2012 and January 1, 2012, the Group's accounts receivable that were impaired amounted to \$867,397, \$550,695 and \$732,673, respectively.

(b) Movements on the Group's provision for impairment of accounts receivable are as follows:

	2013	2012
At January 1	\$ 21,427	\$ 16,763
Acquired from business combinations	5,800	-
Reversal of impairment	(736)	-
Provision for impairment	41,115	6,550
Write-offs during the year	(595)	(1,667)
Closing net book amount	96	(219)
At December 31	<u>\$ 67,107</u>	<u>\$ 21,427</u>

D. The maximum exposure to credit risk at December 31, 2013, December 31, 2012 and January 1, 2012 was the carrying amount of each class of accounts receivable.

E. The Group does not hold any collateral as security.

(6) Inventories

	December 31, 2013		
	Cost	Allowance for valuation loss	Book value
Hardware and software	\$ 178,799	(\$ 22,419)	\$ 156,976
Machines, expendables and accessories	147,901	(18,010)	129,294
Book inventory	45,131	(3,565)	41,566
	<u>\$ 371,831</u>	<u>(\$ 43,994)</u>	<u>\$ 327,836</u>
	December 31, 2012		
	Cost	Allowance for valuation loss	Book value
Hardware and software	\$ 270,589	(\$ 12,260)	\$ 258,329
Machines, expendables and accessories	76,761	(13,942)	62,819
Book inventory	35,147	(3,620)	31,527
	<u>\$ 382,497</u>	<u>(\$ 29,822)</u>	<u>\$ 352,675</u>
	January 1, 2012		
	Cost	Allowance for valuation loss	Book value
Hardware and software	\$ 194,963	(\$ 7,942)	\$ 187,021
Machines, expendables and accessories	74,995	(17,942)	57,053
Book inventory	24,917	(2,379)	22,538
	<u>\$ 294,875</u>	<u>(\$ 28,263)</u>	<u>\$ 266,612</u>

Expenses and losses incurred on inventories for the years ended December 31, 2013 and 2012 were as follows:

	For the years ended December 31,	
	2013	2012
Cost of inventories sold	\$ 2,709,506	\$ 2,797,141
Service cost	199,857	166,871
Loss on inventory value decline	8,139	3,165
Others (Note)	6,007	4,850
	<u>\$ 2,923,509</u>	<u>\$ 2,972,027</u>

Note : Expenses are other operating costs, gain or loss on inventory inspection and income of sale of scrapped materials.

(7) Financial assets measured at cost - non-current

Items	December 31, 2013	December 31, 2012	January 1, 2012
Unlisted stocks	\$ 46,945	\$ 46,945	\$ 26,945
Less: impairment loss	(19,992)	(9,728)	(3,192)
	<u>\$ 26,953</u>	<u>\$ 37,217</u>	<u>\$ 23,753</u>

A. According to the Group's intention, its investment in unlisted stocks should be classified as 'available-for-sale financial assets'. However, as unlisted stocks are not traded in active market, and there is no sufficient industry information of companies similar to those unlisted companies or the unlisted companies' financial information cannot be obtained, the fair value of the investment in unlisted stocks cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.

B. As approved by the Board of Directors in April 2012, the Group made an investment in One Production Film Co. amounting to \$20,000, or 18.18% equity interest. As the Company has a significant influence over One Production Film Co., such investment was accounted for under the equity method. Subsequently, One Production Film Co. had a cash capital increase in August 2012. However, the Group did not participate in the capital increase, thereby reducing its equity interest to 10.53%. Since the Group does not anymore have significant influence, the investment is now accounted for under the cost method.

C. The Group has recognized impairment loss of \$7,071 and \$6,536 on its equity investment – Advanced Plus Tech. Co., Ltd for the years ended December 31, 2013 and 2012, respectively.

D. The Group has recognised impairment loss of \$3,193 on its equity investment – Exigent Holdings Inc. for the year ended December 31, 2013.

E. For the years ended December 31, 2013 and 2012, no financial assets measured at cost held by the Group were pledged to others.

(8) Investments accounted for using equity method

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Wecan Technology Co., Ltd.	\$ 6,834	\$ -	\$ -
Softmagic (B.V.I.) Inc.	-	-	-
	<u>\$ 6,834</u>	<u>\$ -</u>	<u>\$ -</u>

A. The financial information of the Group's principal associates is summarized below:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit/(Loss)</u>	<u>% interest held</u>
<u>December 31, 2013</u>					
Softmagic (B.V.I.) Inc.	<u>\$ 38</u>	<u>\$ 153</u>	<u>\$ -</u>	<u>\$ -</u>	47%
Wecan Technology Co., Ltd.	<u>\$ 22,562</u>	<u>\$ 3,546</u>	<u>\$ 2,218</u>	<u>(\$ 12,984)</u>	35.94%
<u>December 31, 2012</u>					
Softmagic (B.V.I.) Inc.	<u>\$ 37</u>	<u>\$ 149</u>	<u>\$ -</u>	<u>\$ -</u>	47%
<u>January 1, 2012</u>					
Softmagic (B.V.I.) Inc.	<u>\$ 39</u>	<u>\$ 156</u>			47%

B. The Board of Directors have resolved in May 2013 to invest in Wecan Technology Co., Ltd.. The Group's investment amounted to \$11,500 and the holding ratio was 45.1%. However, Wecan Technology Co., Ltd. has increased its capital by cash in July 2013 and the Group did not subscribe to the increase, which resulted in a decrease in the ownership percentage to 35.94%. The Group has significant influence over the company and thus accounts the investment using equity method.

C. The initial investment cost for the Group's long-term equity investment in Softmagic (B.V.I.) Inc. was USD470 thousand. As the share of loss of the company was equivalent to equity of the company, the Group did not recognise any loss further.

D. The Group has recognised loss on investment accounted for using equity method of \$4,666 for the year ended December 31, 2013.

(9) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Leasehold equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2013</u>					
Cost	\$ 95,456	\$ 48,254	\$ 363,304	\$ 88,016	\$ 595,030
Accumulated depreciation and impairment	-	(15,277)	(145,244)	(68,177)	(228,698)
	<u>\$ 95,456</u>	<u>\$ 32,977</u>	<u>\$ 218,060</u>	<u>\$ 19,839</u>	<u>\$ 366,332</u>
<u>2013</u>					
Opening net book amount	\$ 95,456	\$ 32,977	\$ 218,060	\$ 19,839	\$ 366,332
Acquired from business combinations	179,156	57,441	57,567	24,788	318,952
Additions	-	-	11,615	6,408	18,023
Disposals	-	-	-	(3,140)	(3,140)
Transfer	(2,324)	(1,637)	95,055	934	92,028
Depreciation charge	-	(1,622)	(92,435)	(9,727)	(103,784)
Net exchange differences	-	-	451	104	555
Closing net book amount	<u>\$ 272,288</u>	<u>\$ 87,159</u>	<u>\$ 290,313</u>	<u>\$ 39,206</u>	<u>\$ 688,966</u>
<u>At December 31, 2013</u>					
Cost	\$ 272,288	\$ 114,258	\$ 569,395	\$ 135,308	\$ 1,091,249
Accumulated depreciation and impairment	-	(27,099)	(279,082)	(96,102)	(402,283)
	<u>\$ 272,288</u>	<u>\$ 87,159</u>	<u>\$ 290,313</u>	<u>\$ 39,206</u>	<u>\$ 688,966</u>

	<u>Land</u>	<u>Buildings</u>	<u>Leasehold equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2012</u>					
Cost	\$ 95,456	\$ 48,254	\$ 319,202	\$ 78,578	\$ 541,490
Accumulated depreciation and impairment	-	(13,876)	(135,558)	(66,042)	(215,476)
	<u>\$ 95,456</u>	<u>\$ 34,378</u>	<u>\$ 183,644</u>	<u>\$ 12,536</u>	<u>\$ 326,014</u>

2013

Opening net book amount	\$ 95,456	\$ 34,378	\$ 183,644	\$ 12,536	\$ 326,014
Additions	-	-	6,018	13,762	19,780
Disposals	-	-	-	(136)	(136)
Transfer	-	-	104,250	791	105,041
Depreciation charge	-	(1,401)	(75,771)	(7,002)	(84,174)
Net exchange differences	-	-	(81)	(112)	(193)
Closing net book amount	<u>\$ 95,456</u>	<u>\$ 32,977</u>	<u>\$ 218,060</u>	<u>\$ 19,839</u>	<u>\$ 366,332</u>

At December 31, 2013

Cost	\$ 95,456	\$ 48,254	\$ 363,304	\$ 88,016	\$ 595,030
Accumulated depreciation and impairment	-	(15,277)	(145,244)	(68,177)	(228,698)
	<u>\$ 95,456</u>	<u>\$ 32,977</u>	<u>\$ 218,060</u>	<u>\$ 19,839</u>	<u>\$ 366,332</u>

Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(10) Other non-current assets

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Refundable deposits	\$ 62,626	\$ 59,051	\$ 146,312
Other assets - other	21,482	12,974	14,066
Prepaid pension	2,586	2,598	2,659
	<u>\$ 86,694</u>	<u>\$ 74,623</u>	<u>\$ 163,037</u>

(11) Short-term loans

Type of loans	December 31, 2013	Interest rate range	Collateral
Secured loans	\$ 130,000	1.50%	Please refer to Note 8
Unsecured loans	285,000	1.09~1.35%	-
	<u>\$ 415,000</u>		

Type of loans	December 31, 2012	Interest rate range	Collateral
Secured loans	\$ 100,000	1.07%	Please refer to Note 8
Unsecured loans	298,200	1.07%~2.028%	-
	<u>\$ 398,200</u>		

Type of loans	January 1, 2012	Interest rate range	Collateral
Unsecured loans	\$ 268,000	1.07%~1.60%	Please refer to Note 8

(12) Short-term notes and bills payable

	December 31, 2013	December 31, 2012	January 1, 2012
Commercial paper	\$ -	\$ 50,000	\$ 30,000
Less: Unamortized discount on bills payable	-	(4)	(14)
	<u>\$ -</u>	<u>\$ 49,996</u>	<u>\$ 29,986</u>
Interest rate	-	1.070%	1.038%

(13) Other payables

	December 31, 2013	December 31, 2012	January 1, 2012
Employees' salary and compensation payable	\$ 81,566	\$ 44,971	\$ 72,431
Employees' bonus payable	12,574	14,766	20,753
Other accrued expenses	57,493	29,545	20,718
Other payables	14,830	18,232	23,294
	<u>\$ 166,463</u>	<u>\$ 107,514</u>	<u>\$ 137,196</u>

(14) Bonds payable

	December 31, 2013	December 31, 2012	January 1, 2012
Bonds payable	\$ 117,800	\$ 209,800	\$ 300,000
Less: discount on bonds payable	(6,247)	(16,280)	(30,647)
	111,553	193,520	269,353
Less: current portion or exercise of put options (shown as 'Other current liabilities')	(111,553)	-	-
	<u>\$ -</u>	<u>\$ 193,520</u>	<u>\$ 269,353</u>

A.Domestic unsecured convertible bonds – 2nd

(a)The Company issued 0% coupon, 5-year unsecured convertible bonds with the principal amount of \$300,000 at par value of \$100. The bonds are repayable in full at face value at maturity on March 3, 2016. These bonds were listed at Taiwan Gre Tai Securities Market on

March 3, 2011.

- (b) Under the terms of the convertible bonds, the bondholders have the right to ask for the conversion of the bonds into common stocks of the Company during the period from the date (April 4, 2011) after one month of issuance of bonds to 10 days before the maturity date (February 22, 2016), except the stop transfer period. The rights and obligations of the new shares converted from convertible bonds are the same as the issued and outstanding common stock.
- (c) The conversion price will be adjusted based on the terms of the convertible bonds. The Company issued convertible bonds with the conversion price per share of \$62. The Company distributed common stock cash dividend in 2011, with the dividend record date set on August 3, 2011, August 1, 2012 and July 29, 2013. Accordingly, the conversion price was adjusted from \$62 to \$56.2 since August 3, 2011, and the conversion price was adjusted from \$56.2 to \$52.3 since August 1, 2012. The conversion price was then adjusted from \$52.3 to \$49.3 since July 29, 2013. Furthermore, the Company has issued new shares to increase its capital and exchanged shares for new share issuance, and the issuance was effective on August 16, 2013 and October 31, 2013, respectively. In accordance with share exchange rules, the conversion price was adjusted from \$49.3 to \$47.3 since August 16, 2013, and the conversion price was adjusted from \$47.3 to \$46.1 since October 31, 2013.
- (d) Under the terms of the convertible bonds, the bondholders have the right to require the Company to redeem any bonds at the face value along with interest compensation upon three years (March 3, 2014) after issuance of bonds; 101.5% of the face value upon three years (yield to put approximately 0.5%).
- (e) The Company may repurchase all of the outstanding bonds at face value after five trading days of the bonds recovered base date with the following events, provided that the closing price of the shares for a period of 30 consecutive trading days is above 30% of the conversion price during the period from the day (April 4, 2011) after one month after issuance of the bonds to 40 days (January 24, 2016) before the maturity date of the bonds, or the amount of the outstanding bonds is less than 10% of the initial issuance amount of bonds during the period from the day after one month after issuance of the bonds to 40 days before the maturity date of the bonds.
- B. The fair value of convertible option of \$68,722 was separated from bonds payable, and was recognised in “Capital reserve from stock warrants” in accordance with IAS 32. As of December 31, 2013, due to the repurchase of callable convertible bonds, the Company recognised capital reserve - stock options amounting to \$26,985. The fair value of put and call options embedded in bonds payable was separated from bonds payable, and was recognised in “financial assets or financial liabilities at fair value through profit or loss” in accordance with IAS 39. The effective annual interest rates of the bonds after separation ranged between 2.3699%~2.66%.
- C. For the years ended December 31, 2013 and 2012, the Company’s repurchase of convertible

bonds of \$92,000 and \$90,200, respectively, from Gre Tai Securities Market totaled \$91,774 and \$88,454, respectively, and the Company recognized a gain on repurchase of convertible bonds of \$40 and \$1,311 in other income, respectively.

D.For the year ended December 31, 2013, the Company's convertible bonds have not been converted to common stock and redeemed.

(15) Long-term loans

<u>Type of loans</u>	<u>Loan period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2013</u>
Hua Nan Bank secured loans	From March 26, 2013 to March 26, 2018; starting from the 13 th month, principal is payable quarterly and interest is payable monthly	1.6% (base rate plus annual rate of 0.32%)	Note 8	\$ 150,000
Taiwan Cooperative Bank secured loans	From October 5, 2005 to October 5, 2025; interest is payable monthly for the first 2 years; starting from the 3 rd year, principal and interest are payable monthly based on annuity method	1.60%	Note 8	67,958
First Bank secured loans	From June 29, 2009 to June 29, 2024; interest is payable monthly for the first 2 years; starting from the 3 rd year, principal and interest are payable monthly based on annuity method	3.015%	Note 8	7,131
First Bank secured loans	From December 12, 2007 to December 12, 2022; interest and principal are payable monthly based on annuity method	2.605%	Note 8	1,619
Land Bank secured loans	From December 12, 2012 to December 11, 2015; starting from the borrowing date, principal and interest are payable monthly based on annuity method	2.66%	Note 8	2,932

Type of loans	Loan period and repayment term	Interest rate range	Collateral	December 31, 2013
Land Bank secured loans	From January 3, 2013 to January 2, 2016; starting from the borrowing date, principal and interest are payable monthly based on annuity method	2.66%	Note 8	\$ 1,652
Land Bank secured loans	From May 17, 2011 to May 17, 2014; starting from the borrowing date, principal and interest are payable monthly based on annuity method	2.66%	Note 8	359
First Bank secured loans	From June 29, 2009 to June 29, 2024; interest and principal are payable monthly based on annuity method	3.015%	Note 8	533
Bank of Shanghai secured loans	From March 15, 2011 to February 15, 2014; principal is payable quarterly and interest is payable monthly	3.125%	Note 8	500
Taiwan Cooperative Bank unsecured loans	From September 13, 2010 to September 13, 2017; interest is payable monthly for the first 2 years; starting from the 3rd year, principal and interest are payable monthly based on annuity method	1.50%	Unsecured	10,641
Taishin International Bank unsecured loans	From November 28, 2012 to November 28, 2014; interest and principal are payable monthly based on annuity method	3.05%	Unsecured	7,919
First Bank unsecured loans	From August 1, 2011 to August 1, 2014; interest and principal are payable monthly	3.00%	Unsecured	1,155

Type of loans	Loan period and repayment term	Interest rate range	Collateral	December 31, 2013
Yuanta Commercial Bank unsecured loans	From April 19, 2011 to April 19, 2014; interest and principal are payable monthly	3.03%	Unsecured	\$ 1,360
Less: current portion (shown as 'Other current liabilities')				(50,670)
				<u>\$ 203,089</u>

A. The Group has the following undrawn loans facilities:

	December 31, 2013	December 31, 2012	January 1, 2012
Floating rate			
Expiring within one year	\$ 1,283,053	\$ 811,000	\$ 682,000

B. The facilities expiring within one year are annual facilities subject to review at various dates during 2014.

(16) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

(b) The amounts recognised in the balance sheet are determined as follows:

	December 31, 2012	January 1, 2012
Present value of funded obligations	(\$ 10,655)	(\$ 4,619)
Fair value of plan assets	10,138	7,217
Net liability in the balance sheet	(\$ 517)	\$ 2,598
Shown as 'Other current assets'	\$ 2,586	\$ 2,598
Shown as 'Other current liabilities'	(\$ 3,103)	\$ -

(c) Changes in present value of funded obligations are as follows:

	<u>2013</u>	<u>2012</u>
Present value of funded obligations		
At January 1	\$ 4,619	\$ 4,467
Obligation from business combination	5,335	-
Interest expense	103	78
Actuarial profit and loss	598	74
At December 31	<u>\$ 10,655</u>	<u>\$ 4,619</u>

(d) Changes in fair value of plan assets are as follows:

	<u>2013</u>	<u>2012</u>
Fair value of plan assets		
At January 1	\$ 7,217	\$ 7,126
Assets acquired from business combination	2,765	-
Expected return on plan assets	150	143
Actuarial profit and loss	(31)	(74)
Employer contributions	37	22
At December 31	<u>\$ 10,138</u>	<u>\$ 7,217</u>

(e) Amounts of profit recognised in statements of comprehensive income are as follows:

	<u>2013</u>	<u>2012</u>
Interest cost	\$ 103	\$ 78
Expected return on plan assets	(150)	(143)
Current pension costs	<u>(\$ 47)</u>	<u>(\$ 65)</u>

The above profit recognised in consolidated statement of comprehensive income is as follows:

	<u>2013</u>	<u>2012</u>
General and administrative expenses	<u>(\$ 47)</u>	<u>(\$ 65)</u>

(f) Amounts recognised under other comprehensive income are as follows:

	<u>2013</u>	<u>2012</u>
Recognition for current period	<u>(\$ 629)</u>	<u>(\$ 148)</u>
Accumulated amount	<u>(\$ 777)</u>	<u>(\$ 148)</u>

(g) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of December 31, 2013 and 2012 is given in the Annual Labor Retirement Fund

Utilisation Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

(h) The principal actuarial assumptions used were as follows:

	2013	2012	2011
Discount rate	1.625%~2.1%	1.625%	1.75%
Future salary increases	1.880%~2.1%	1.875%~2%	2%
Expected return on plan assets	1.875%~2.1%	1.875%	2%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

(i) Historical information of experience adjustments was as follows:

	2013	2012
Present value of defined benefit obligation	(\$ 10,655)	(\$ 4,619)
Fair value of plan assets	10,138	7,217
Surplus in the plan	(\$ 517)	\$ 2,598
Experience adjustments on plan liabilities	(\$ 598)	(\$ 74)
Experience adjustments on plan assets	(\$ 31)	(\$ 74)

B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2013 and 2012 were \$12,301 and \$11,889, respectively.

(b) Overseas subsidiaries have defined contribution plans. For the years ended December 31, 2013 and 2012, the amount of pension expense was \$6,512 and \$5,694, respectively.

(17) Share capital

A. As of December 31, 2013, the Company's authorized capital was \$1,050,000, consisting of 105 million shares of ordinary stock (including 11,400,000 shares reserved for employee stock options, preferred stock with options or bonds payable with options), and the paid-in capital was \$542,603 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. The Company's Board of Directors has resolved on February 27, 2013 to increase capital by issuing 6 million shares with par value of \$32, totaling \$192,000. The capital increase has been

registered in August 2013.

C. The Company's Board of Directors has resolved on July 30, 2013 to increase capital by issuing new shares of 4,488 thousand shares with par value of \$10. The issue price was the closing price of \$36.2 on October 31, 2013. The total amount of shares issued was \$162,465. The capital increase has been registered in January 2014.

D. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

<u>Reason for reacquisition</u>	<u>For the year ended December 31, 2013</u>			
	<u>Beginning</u>	<u>Additions</u>	<u>Disposal</u>	<u>Ending</u>
To be reissued to employees	<u>3,605</u>	<u>-</u>	<u>-</u>	<u>3,605</u>
<u>Reason for reacquisition</u>	<u>For the year ended December 31, 2012</u>			
	<u>Beginning</u>	<u>Additions</u>	<u>Disposal</u>	<u>Ending</u>
To be reissued to employees	<u>3,605</u>	<u>-</u>	<u>-</u>	<u>3,605</u>

(b) Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus. As of December 31, 2013, the treasury stocks amounted at the price of \$128,126.

(c) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(18) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(19) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, and in accordance with the provisions of the competent authority to set aside or reverse special reserve. The remainder, if any, shall be

distributed as follows:

(a)8% to 15% as employees' bonus;

(b)3% as remuneration to directors and supervisors; and

(c)the distribution of remaining earnings and unappropriated accumulated earnings which shall be proposed by the Board of Directors and resolved by the stockholders.

B.The Company's dividend policy is adopted taking into consideration the Company's financial structure, future capital expenditures, future cash flows and assurance of the Company's competitiveness in the market. In accordance with the dividend policy, cash dividends shall account for at least 10% of the total dividends distributed.

C.Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid in capital.

D.For the years ended December 31, 2013 and 2012, employees' bonus was accrued at \$9,799 and \$12,039, respectively; directors' and supervisors' remuneration was accrued at \$1,782 and \$1,605, respectively. The basis of accrual for employees' bonus and directors' and supervisors' remuneration is based on 11% and 2% (as prescribed by the Company's Articles of Incorporation) of net income in 2013 after taking into account the legal reserve and other factors. Employees' bonus and directors' and supervisors' remuneration of 2012 as resolved by the stockholders were in agreement with those amounts recognised in the 2012 financial statements.

E.The Company recognised dividends distributed to owners amounting to \$120,569 (\$2.7 (in dollars) per share) for the year ended December 31, 2012. On June 18, 2013, the stockholders resolved to declare dividends for the year ended December 31, 2012 in the amount of \$98,242 (\$2.2 (in dollars) per share.)

F.Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Operating revenue

	For the years ended December 31,	
	2013	2012
Sales revenue	\$ 3,149,200	\$ 3,317,148
Service revenue	404,213	368,246
	<u>\$ 3,553,413</u>	<u>\$ 3,685,394</u>

(21) Other income

	For the years ended December 31,	
	2013	2012
Interest income:	\$ 3,015	\$ 1,508
Rental revenue	1,600	2,432
Gain from bargain purchase	41,494	-
Dividend income	-	416
	<u>\$ 46,109</u>	<u>\$ 4,356</u>

(22) Other gains and losses

	For the years ended December 31,	
	2013	2012
Net gain (loss) on financial liabilities at fair value through profit or loss	\$ 1,876	(\$ 13,379)
Net currency exchange gains	4,400	1,314
Loss on disposal of property, plant and equipment	(2,724)	(13)
Impairment loss	(10,264)	(6,536)
Other income	12,580	15,635
	<u>\$ 5,868</u>	<u>(\$ 2,979)</u>

(23) Finance costs

	For the years ended December 31,	
	2013	2012
Interest expense:		
Bank loans	\$ 7,548	\$ 4,885
Convertible bonds	3,390	7,236
	<u>\$ 10,938</u>	<u>\$ 12,121</u>

(24) Employee benefits expense, depreciation and amortization

	For the year ended December 31, 2013		
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expense:			
Wages and salaries	\$ 25,402	\$ 302,519	\$ 327,921
Labor and health insurance fees	930	24,779	25,709
Pension costs	483	18,283	18,766
Other personnel expenses	-	8,789	8,789
Depreciation	89,596	14,188	103,784
Amortisation	2,069	772	2,841

	For the year ended December 31, 2012		
	Recognised in operating costs	Recognised in operating expenses	Total
Employee benefit expense:			
Wages and salaries	\$ 13,077	\$ 319,381	\$ 332,458
Labor and health insurance fees	813	27,447	28,260
Pension costs	428	17,090	17,518
Other personnel expenses	259	8,307	8,566
Depreciation	74,627	9,547	84,174
Amortisation	477	996	1,473

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2013	2012
Current tax:		
Current tax on profits for the year	\$ 19,903	\$ 42,343
Adjustments in respect of prior years	(555)	2,163
Total current tax	\$ 19,348	\$ 44,506
Deferred tax:		
Origination and reversal of temporary differences	(3,249)	(3,114)
Income tax expense	\$ 16,099	\$ 41,392

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2013	2012
Actuarial gains/losses on defined benefit obligations	\$ 108	\$ 25

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2013	2012
Tax calculated based on profit before tax and statutory tax rate	\$ 13,966	\$ 42,139
Effects from items disallowed by tax regulation	2,683	(5,132)
Tax-exempt income	(555)	2,163
Under provision of prior year's income tax expense	5	2,222
	\$ 16,099	\$ 41,392

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and loss carryforward are as follows:

For the year ended December 31, 2013					
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Changes in the consolidated entity	December 31
- Deferred tax assets:					
Allowance for bad debts in excess of tax-deductible limit	\$ 965	\$ 110	\$ -	\$ 586	\$ 1,661
Loss on inventory obsolescence	1,627	(194)	-	1,915	3,348
Compensated absences	1,800	(216)	-	286	1,870
Impairment loss	2,068	1,745	-	-	3,813
Net operating loss carryforward	868	1,456	-	-	2,324
Others	1,576	383	108	432	2,499
	<u>\$ 8,904</u>	<u>\$ 3,284</u>	<u>\$ 108</u>	<u>\$ 3,219</u>	<u>\$ 15,515</u>
- Deferred tax liabilities:					
Unrealised exchange gain	<u>(\$ 133)</u>	<u>(\$ 35)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 168)</u>

For the year ended December 31, 2013					
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Changes in the consolidated entity	December 31
- Deferred tax assets:					
Allowance for bad debts in excess of tax-deductible limit	\$ 389	\$ 576	\$ -	\$ -	\$ 965
Loss on inventory obsolescence	1,129	498	-	-	1,627
Compensated absences	1,762	38	-	-	1,800
Impairment loss	958	1,110	-	-	2,068
Net operating loss carryforward	1,274	(406)	-	-	868
Others	426	1,125	25	-	1,576
	<u>\$ 5,938</u>	<u>\$ 2,941</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 8,904</u>
- Deferred tax liabilities:					
Unrealised exchange gain	<u>(\$ 306)</u>	<u>\$ 173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 133)</u>

D. Expiration dates of unused net operating loss carryforward and amounts of unrecognised deferred tax assets are as follows:

(a) Domestic company

December 31, 2013

Year incurred	Unused amount	Unrecognised deferred tax assets	Usable until year
2013	\$ 10,006	\$ -	2023

January 1, 2012

Year incurred	Unused amount	Unrecognised deferred tax assets	Usable until year
2011	\$ 765	\$ 765	2021

(b) Foreign company

December 31, 2013

Year incurred	Unused amount	Unrecognised deferred tax assets	Usable until year
2009	\$ 1,088	\$ -	2014
2010	1,886	1,886	2015
2011	1,640	1,640	2016
2012	1,481	1,481	2017
2013	608	608	2018

December 31, 2012

Year incurred	Unused amount	Unrecognised deferred tax assets	Usable until year
2008	\$ 2,384	\$ -	2013
2009	1,088	-	2014
2010	1,886	1,886	2015
2011	1,640	1,640	2016
2012	1,481	1,481	2017

January 1, 2012

Year incurred	Unused amount	Unrecognised deferred tax assets	Usable until year
2007	\$ 1,104	\$ -	2012
2008	2,384	-	2013
2009	1,088	-	2014
2010	1,886	1,886	2015
2011	1,640	1,640	2016

(c) In accordance with tax regulations in Malaysia, the tax credit of a consolidated subsidiary, GrandTech Systems Sdn. Bhd., does not have an expiration date. As of December 31, 2013, the accumulated loss carryforward was \$1,404.

E. The Company's income tax returns through 2011 have been assessed and approved by the Tax

Authority.

F. Unappropriated retained earnings:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Earnings generated in and after 1998	\$ <u>76,884</u>	\$ <u>144,420</u>	\$ <u>142,895</u>

G. As of December 31, 2013, December 31, 2012 and January 1, 2012, the balance of the imputation tax credit account was \$5,818, \$12,651 and \$1,457, respectively. The creditable tax rate was 24.53% for 2012 and is estimated to be 7.57% for 2013.

(26) Earnings per share

	<u>For the year ended December 31, 2013</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ <u>63,043</u>	<u>47,686</u>	\$ <u>1.32</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	2,815	2,908	
Employees' bonus	-	281	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>65,858</u>	<u>50,875</u>	\$ <u>1.29</u>

	For the year ended December 31, 2012		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 112,267	44,655	\$ 2.51
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	6,006	4,012	
Employees' bonus	-	434	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 118,273	49,101	\$ 2.41

(27) Business combinations

A. On October 31, 2013, the Group acquired 51% of the share capital of Honlynn Inc. through issuance of 4,488 thousand new shares and obtained control over Honlynn Inc., which is mainly engaged in the distribution of computer expendables. The main product types of Honlynn Inc. are distribution of computer peripheral expendables, repair of printers for all brands and instalment and repair of computers. The Group expects that complete distribution development on enterprise platform after acquisition will expand service platform and operating domain of printing business as well as combining upstream to easily obtain trends of developed markets.

B. The following table summarises the consideration paid for Honlynn Inc. and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interest in Honlynn Inc.:

	<u>October 31, 2013</u>
Purchase consideration	
Equity instruments	\$ 162,465
Fair value of the non-controlling interest	<u>195,961</u>
	<u>358,426</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	231,888
Notes receivable	38,097
Accounts receivable	198,357
Inventories	154,596
Other current assets	7,226
Property, plant and equipment	318,952
Intangible assets	11,990
Other non-current assets	28,472
Bank loans	(191,444)
Notes payable	(12,677)
Accounts payable	(242,064)
Other current liabilities	(56,585)
Other non-current liabilities	(86,888)
Total identifiable net assets	<u>399,920</u>
Gain from bargain purchase	<u>(\$ 41,494)</u>

C. The fair value of \$36.2 (in dollars) per share of the 4,488 thousand ordinary shares issued as part of the consideration paid for Honlynn Inc. was based on the published share price on October 31, 2013.

D. The operating revenue included in the consolidated statement of comprehensive income since October 31, 2013 contributed by Honlynn Inc. was \$279,341. Honlynn Inc. also contributed profit before income tax of \$12,528 over the same period. Had Honlynn Inc. been consolidated from January 1, 2013, the consolidated statement of comprehensive income would show operating revenue of \$4,759,674 and profit before income tax of \$148,697.

(28) Non-cash transaction

Transactions whereby the Group obtained control of the subsidiaries are described in Note 6(27).

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company is controlled by Ability Investment Co., Ltd. (incorporated in R.O.C.), which owns 11% of the Company's shares. The remaining 89% of the shares are widely held.

(2) Significant related party transactions

A. Sales of goods:

	For the years ended December 31,	
	2013	2012
Sales of goods:		
— Ultimate parent	\$ 108	\$ 47
— Other associates	21,983	62,197
	<u>\$ 22,091</u>	<u>\$ 62,244</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases of goods:

	For the years ended December 31,	
	2013	2012
Purchases of goods:		
— Other associates	<u>\$ 11,920</u>	<u>\$ 49,239</u>

Goods are bought from other associates on normal commercial terms and conditions.

C. Notes and accounts receivable:

	December 31, 2013	December 31, 2012	January 1, 2012
Receivables from related parties:			
— Other associates	<u>\$ 2,563</u>	<u>\$ 7,940</u>	<u>\$ 43,290</u>

The receivables from related parties arise mainly from sale of software and hardware and provision of management and consultancy services. The receivables are due three months after the date of sale, unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

D. Notes and accounts payable:

	December 31, 2013	December 31, 2012	January 1, 2012
Payables from related parties:			
— Other associates	<u>\$ 848</u>	<u>\$ 6,101</u>	<u>\$ 11,866</u>

The payables to related parties arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest.

E. Property transactions:

(a) Acquisition of property:

	For the years ended December 31,	
	2013	2012
Acquisition of property, plant and equipment:		
— Other associates	<u>\$ 4,100</u>	<u>\$ -</u>

(b) Proceeds from sale of property and loss on disposal:

	For the year ended December 31, 2013		For the year ended December 31, 2012	
	<u>Disposal proceeds</u>	<u>Gain (loss) on disposal</u>	<u>Disposal proceeds</u>	<u>Gain (loss) on disposal</u>
Sale of property, plant and equipment:				
— Ultimate parent	\$ 128	(\$ 75)	\$ -	\$ -
— Other associates	2	(40)	-	-
	<u>\$ 130</u>	<u>(\$ 115)</u>	<u>\$ -</u>	<u>\$ -</u>

(3) Key management compensation

	For the years ended December 31,	
	<u>2013</u>	<u>2012</u>
Salaries and other short-term employee benefits	\$ 16,059	\$ 21,236
Post-employment benefits	215	223
	<u>\$ 16,274</u>	<u>\$ 21,459</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Item	Book Value			Purpose
	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>	
Notes receivable	\$ 33,837	\$ -	\$ -	Secured bank loans
Bank loans- restricted (shown as other current assets)	24,090	-	-	Secured bank loans
Bank loans- restricted (shown as other non-current assets)	6,623	-	-	Secured bank loans
Property, plant and equipment				
Land	158,353	90,581	90,581	Secured bank loans
Buildings	73,508	19,018	20,110	Secured bank loans
Other equipments	9,979	-	-	Secured bank loans
	<u>\$ 231,861</u>	<u>\$ 109,599</u>	<u>\$ 110,691</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

- (1) As of December 31, 2013, the Group issued guarantee notes for bank loans amounting to \$1,403,123.
- (2) The Group has opened letters of credit amounting to USD 2,706 thousand as of December 31, 2013, as guarantee for purchases.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans (including 'current and non-current loans' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Total loans	\$ 780,312	\$ 641,716	\$ 567,339
Less: cash and cash equivalents	(631,632)	(278,502)	(312,368)
Net debt	<u>\$ 148,680</u>	<u>\$ 363,214</u>	<u>\$ 254,971</u>
Total equity	<u>\$ 1,266,256</u>	<u>\$ 727,622</u>	<u>\$ 765,498</u>
Gearing ratio	12%	50%	33%

(2) Financial instruments

A. Fair value information of financial instruments

Except those listed in the table below, the carrying amounts of the Group's cash and cash equivalents and financial instruments measured at amortised cost (including notes receivable, accounts receivable, other receivables, short-term loans payable, accounts payable and other payables) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

	December 31, 2013	
	Book value	Fair value
Financial liabilities:		
Bonds payable	\$ 111,553	\$ 120,156
	December 31, 2012	
	Book value	Fair value
Financial liabilities:		
Bonds payable	\$ 193,520	\$ 205,604
	January 1, 2012	
	Book value	Fair value
Financial liabilities:		
Bonds payable	\$ 269,353	\$ 285,000

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, HKD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial

transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

- The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through loans denominated in the relevant foreign currencies (see Note 6(11)).
- The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2013						
Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)	Degree of variation	Sensitivity analysis		
				Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 5,178	29.805	\$ 154,330	1%	\$ 1,543	\$ -
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 3,132	29.805	\$ 93,349	1%	\$ 933	\$ -
December 31, 2012						
Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)	Degree of variation	Sensitivity analysis		
				Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 3,492	29.04	\$ 101,408	1%	\$ 1,014	\$ -
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 3,620	29.04	\$ 105,125	1%	\$ 1,051	\$ -
USD:HKD	452	7.75	13,126	1%	131	-

January 1, 2012

	Foreign Currency		Book Value (NTD)	Degree of variation	Sensitivity analysis	
	Amount (In Thousands)	Exchange Rate			Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 6,102	30.275	\$ 184,738	1%	\$ 1,847	\$ -
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 4,515	30.275	\$ 136,692	1%	\$ 1,367	\$ -

Price risk

- The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased by 10% with all other variables held constant, other components of equity for the years ended December 31, 2013 and 2012 would have increased by \$1,271 and \$577, respectively, as a result of gains on equity securities classified as available-for-sale.

Interest rate risk

- The Group's interest rate risk arises from long-term loans. Loans issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates.
- The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.
- At December 31, 2013 and 2012, if interest rates on USD-denominated loans had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2013 and 2012 would have been \$0 and \$131 lower/higher, respectively,

mainly as a result of higher/lower interest expense on floating rate loans.

- At December 31, 2013 and 2012, if interest rates on NTD-denominated loans had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2013 and 2012 would have been \$6,688 and \$4,351 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate loans.

(b)Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and promised transactions.
- ii.No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c)Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed loan facilities (Note 6(15)) at all times so that the Group does not breach loan limits or covenants (where applicable) on any of its loan facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.
- ii.Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii.The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>December 31, 2013</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>
Short-term loans	\$ 415,000	\$ -
Notes payable	49,452	-
Accounts payable	605,067	-
Other payables	166,463	-
Bonds payable	111,553	-
Long-term loans	50,670	203,089
Guarantee deposits	-	4,805
<u>December 31, 2012</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>
Short-term loans	\$ 398,200	\$ -
Notes payable	49,996	-
Accounts payable	26,445	-
Other payables	449,048	-
Bonds payable	107,514	-
Long-term loans	-	193,520
Guarantee deposits	-	9,032
<u>January 1, 2012</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>
Short-term loans	\$ 268,000	\$ -
Notes payable	29,986	-
Accounts payable	30,037	-
Other payables	465,024	-
Bonds payable	137,196	-
Long-term loans	-	269,353
Guarantee deposits	-	12,345

Derivative financial liabilities:

	<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>December 31, 2013</u>		
Domestic convertible bonds - put option and call option	\$ 773	\$ -
<u>December 31, 2012</u>		
Domestic convertible bonds - put option and call option	5,091	-

(3) Fair value estimation

A. The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2013, December 31, 2012 and January 1, 2012:

<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Available-for-sale financial assets				
Equity securities	\$ 12,710	\$ -	\$ -	\$ 12,710
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Domestic convertible bonds - put option and call option	\$ -	\$ 773	\$ -	\$ 773
<u>December 31, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Available-for-sale financial assets				
Equity securities	\$ 5,770	\$ -	\$ -	\$ 5,770
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Domestic convertible bonds - put option and call option	\$ -	\$ 5,091	\$ -	\$ 5,091
<u>January 1, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Domestic convertible bonds - put option and call option	\$ -	\$ 6,019	\$ -	\$ 6,019
Available-for-sale financial assets				
Equity securities	7,233	-	-	7,233
	\$ 7,233	\$ 6,019	\$ -	\$ 13,252

B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and debt instruments classified as financial assets/financial liabilities at fair value through profit or loss or available-for-sale financial assets.

C. The fair value of financial instruments that are not traded in an active market (for example,

over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

D.If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

E.Specific valuation techniques used to value financial instruments include:

(a)Quoted market prices or dealer quotes for similar instruments.

(b)The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

(c)The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

(d)Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

13. SEGMENT INFORMATION

(1) General information

The Company manages business and sets up policies from a geographic sales perspective, thus, management identifies reportable operating segment using the same method.

The businesses of the Company are mainly divided into two parts: Taiwan region and Greater China region. Taiwan region includes Taipei and Kaohsiung and Greater China region includes Hong Kong and Shanghai in Mainland China. The main business each region is mainly engaged in is distributing business machine equipment, retail and distributing and retail of information software.

(2) Information about segment profit or loss and assets

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	For the year ended December 31, 2013				
	Taiwan Region	Greater China Region	Other Regions	Reconciliation	Total
Revenue from external customers	\$ 2,290,882	\$ 1,090,497	\$ 172,034	\$ -	\$ 3,553,413
Revenue from parent company and consolidated subsidiaries	150,307	407,044	3,936	(561,287)	-
Total revenues	\$ 2,441,189	\$ 1,497,541	\$ 175,970	\$ 561,287	\$ 3,553,413
Inter-segment profit (loss)	\$ 169,669	\$ 41,010	\$ 68,734	\$ 9,001	\$ 68,926
Segment income (loss):					
Depreciation and amortization	\$ 102,317	\$ 3,324	\$ 984	\$ -	\$ 106,625
Interest income	\$ 1,604	\$ 1,964	\$ 84	\$ 637	\$ 3,015
Interest expense	\$ 10,700	\$ 282	\$ 593	\$ 637	\$ 10,938
Income tax expense	\$ 13,737	\$ 2,467	\$ 105	\$ -	\$ 16,099
Total segment assets	\$ 3,178,941	\$ 924,974	\$ 540,928	\$ 1,714,853	\$ 2,929,990

For the year ended December 31, 2012

	Taiwan Region	Greater China Region	Other Regions	Reconciliation	Total
Revenue from external customers	\$ 2,052,155	\$ 1,404,581	\$ 228,658	\$ -	\$ 3,685,394
Revenue from parent company and consolidated subsidiaries	274,586	509,665	8,715	(792,966)	-
Total revenues	<u>\$ 2,326,741</u>	<u>\$ 1,914,246</u>	<u>\$ 237,373</u>	<u>(\$ 792,966)</u>	<u>\$ 3,685,394</u>
Inter-segment profit (loss)	<u>\$ 107,118</u>	<u>\$ 33,032</u>	<u>(\$ 23,378)</u>	<u>(\$ 4,121)</u>	<u>\$ 112,651</u>
Segment income (loss):					
Depreciation and amortization	<u>\$ 82,278</u>	<u>\$ 2,417</u>	<u>\$ 952</u>	<u>\$ -</u>	<u>\$ 85,647</u>
Interest income	<u>\$ 1,797</u>	<u>\$ 221</u>	<u>\$ 245</u>	<u>(\$ 755)</u>	<u>\$ 1,508</u>
Interest expense	<u>\$ 11,900</u>	<u>\$ 787</u>	<u>\$ 189</u>	<u>(\$ 755)</u>	<u>\$ 12,121</u>
Income tax expense	<u>\$ 28,329</u>	<u>\$ 12,698</u>	<u>\$ 365</u>	<u>\$ -</u>	<u>\$ 41,392</u>
Total segment assets	<u>\$ 2,129,140</u>	<u>\$ 985,416</u>	<u>\$ 581,518</u>	<u>(\$ 1,678,478)</u>	<u>\$ 2,017,596</u>

(3) Information on product and service

Revenue from external customers is mainly from distributing business machine equipment, retail and distributing and retail of information software.

Details of revenue are as follows:

	For the years ended December 31,	
	2013	2012
Sales revenue	\$ 3,149,200	\$ 3,317,148
Service revenue	404,213	368,246
	<u>\$ 3,553,413</u>	<u>\$ 3,685,394</u>

(4) Geographical information

Region	For the years ended December 31,			
	2013		2012	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 2,290,882	\$ 753,704	\$ 2,052,155	\$ 398,532
Hong Kong	542,998	16,349	725,935	31,019
China	547,499	11,989	678,646	8,571
Others	172,034	5,958	228,658	3,418
	<u>\$ 3,553,413</u>	<u>\$ 788,000</u>	<u>\$ 3,685,394</u>	<u>\$ 441,540</u>

(5) Major customers' financial information

For the years ended December 31, 2013 and 2012, no customer accounted for more than 10% of the sales revenue in the consolidated statements of comprehensive income.

14. INITIAL APPLICATION OF IFRSs

These consolidated financial statements are the first consolidated financial statements prepared by the Group in accordance with the IFRSs. The Group has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP consolidated financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions elected by the Group, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Group's financial position, operating results and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

(1) Exemptions elected by the Group

A. Business combinations

The Group has elected not to apply the requirements in IFRS 3, 'Business Combinations', retrospectively to business combinations that occurred prior to the date of transition to IFRSs ("the transition date"). This exemption also applies to the Group's previous acquisitions of investments in associates.

B.Share-based payment transactions

The Group has elected not to apply the requirements in IFRS 2, 'Share-based Payment', retrospectively to equity instruments that were vested arising from share-based payment transactions prior to the transition date.

C.Employee benefits

The Group has elected to recognize all cumulative actuarial gains and losses relating to all employee benefit plans in 'retained earnings' at the transition date, and to disclose the information of present value of defined benefit obligation, fair value of plan assets, gain or loss on plan assets and experience adjustments under the requirements of paragraph 120A (P), IAS 19, 'Employee Benefits', based on their prospective amounts for financial periods from the transition date.

D.Cumulative translation differences

The Group has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date, and to deal with translation differences arising subsequent to the transition date in accordance with IAS 21, 'The Effects of Changes in Foreign Exchange Rates'.

E.Compound financial instruments

The Group has elected not to segregate between liability components and equity components of compound financial instruments whose liability components were no longer outstanding at the transition date.

- (2) Except hedge accounting to which exceptions to the retrospective application of IFRSs specified in IFRS 1 are not applied as they have no relation with the Group, other exceptions to the retrospective application are set out below:

A.Accounting estimates

Accounting estimates made under IFRSs on January 1, 2012 are consistent with those made under R.O.C. GAAP on that day.

B.Derecognition of financial assets and financial liabilities

The derecognition requirements in IAS 39, 'Financial Instruments: Recognition and Measurement' shall be applied prospectively to transactions occurring on or after January 1, 2004.

C.Non-controlling interest

Requirements of IAS 27 (amended in 2008) that shall be applied prospectively are as follows:

- (a) Requirements concerning total comprehensive income (loss) attributed to owners of the parent and non-controlling interest, even which results in a loss to non-controlling interest;
- (b) Requirements that change in interest ownership of the parent in a subsidiary while control is retained is accounted for as an equity transaction with the parent; and
- (c) Requirements concerning the parent's loss of control over a subsidiary.

(3) Requirement to reconcile from R.O.C. GAAP to IFRSs at the time of initial application

IFRS 1 requires that entity should make reconciliation for equity, comprehensive income and cash flows for the comparative periods. Reconciliation for equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown below:

A.Reconciliation for equity on January 1, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
<u>Current assets</u>				
Cash and cash equivalents	\$ 312,368	\$ -	\$ 312,368	
Financial assets at fair value through profit or loss - current	6,019	-	6,019	
Available-for-sale financial assets - current	7,233	-	7,233	
Notes receivable	79,100	-	79,100	
Accounts receivable	778,994	-	778,994	
Other receivables	27,942	-	27,942	
Inventories	266,612	-	266,612	
Current income tax assets	1,393	(1,393)	-	A(a)
Other current assets	39,450	-	39,450	
Total current assets	<u>1,519,111</u>	<u>(1,393)</u>	<u>1,517,718</u>	
<u>Non-current assets</u>				
Financial assets measured at cost - non-current	23,753	-	23,753	
Property, plant and equipment	326,014	-	326,014	
Intangible assets	1,248	-	1,248	
Deferred income tax assets	3,098	2,840	5,938	A(a), A(b)
Other non-current assets	160,694	2,343	163,037	A(b)
Total non-current assets	<u>514,807</u>	<u>5,183</u>	<u>519,990</u>	
Total assets	<u>\$ 2,033,918</u>	<u>\$ 3,790</u>	<u>\$ 2,037,708</u>	

	<u>R.O.C. GAAP</u>	Effect of transition from R.O.C. <u>GAAP to IFRSs</u>	<u>IFRSs</u>	<u>Remark</u>
<u>Current liabilities</u>				
Short-term loans	\$ 268,000	\$ -	\$ 268,000	
Short-term notes and bills payable	29,986	-	29,986	
Notes payable	30,037	-	30,037	
Accounts payable	465,024	-	465,024	
Other payables	127,142	10,054	137,196	A(c)
Current income tax liabilities	30,843	-	30,843	
Other current liabilities	<u>28,712</u>	<u>-</u>	<u>28,712</u>	
Total current liabilities	<u>979,744</u>	<u>10,054</u>	<u>989,798</u>	
<u>Non-current liabilities</u>				
Bonds payable – non-current	269,353	-	269,353	
Deferred income tax liabilities	-	306	306	A(a)
Other non-current liabilities	<u>14,066</u>	<u>(1,313)</u>	<u>12,753</u>	A(b)
Total non-current liabilities	<u>283,419</u>	<u>(1,007)</u>	<u>282,412</u>	
Total Liabilities	<u>1,263,163</u>	<u>9,047</u>	<u>1,272,210</u>	
<u>Equity attributable to owners of the parent</u>				
Share capital				
Common share	482,603	-	482,603	
Capital surplus	162,764	(14,510)	148,254	A(d)
Retained earnings				
Legal reserve	50,339	-	50,339	
Special reserve	34,851	-	34,851	
Unappropriated retained earnings	144,927	(2,032)	142,895	A(b), A(c), A(d), A(e)
Other equity	(11,684)	11,842	158	A(e)
Treasury shares	(128,126)	-	(128,126)	
<u>Non-controlling interest</u>	<u>35,081</u>	<u>(557)</u>	<u>34,524</u>	A(b), A(c)
Total equity	<u>770,755</u>	<u>(5,257)</u>	<u>765,498</u>	
Total liabilities and equity	<u>\$ 2,033,918</u>	<u>\$ 3,790</u>	<u>\$ 2,037,708</u>	

Reasons for reconciliation are outlined below:

- (a) Under IAS 1, 'Presentation of Financial Statements', an entity should not classify a deferred tax asset or liability as current, and shall not express in net amount the deferred tax asset and liability belonging to different entities. Therefore, the Company has increased deferred tax asset – non-current by \$1,699, decreased deferred tax asset – current by \$1,393 and increased deferred tax liability – non-current by \$306.
- (b) i. The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, 'Employee Benefits', requires an entity to determine the rate used to discount employee benefits with reference to market yields at the end of the reporting period on high quality corporate bonds of a currency and term consistent with the currency and term of the benefit obligation; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end of the reporting period) instead.
- ii. In accordance with the Company's accounting policies, unrecognised transitional net benefit obligation should be amortised on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, the transitional provisions in IAS 19 are not applied to the Company as the first-time adopter of IFRSs, so the Company has no unrecognised transitional liabilities.
- iii. The Company has elected to recognize all accumulated actuarial gain or loss with respect to the employee benefit plans in retained earnings at the date of transition to IFRSs.
- Because of the aforementioned actuarial result estimated based on IAS 19, 'Employee Benefits' and exemptions under IFRS 1 'First time adoption of IFRS' elected by the Company, the Company decreased minority interest by \$184, deferred income tax assets – non-current by \$621 and accrued pension liabilities by \$1,313, and increased other assets – others by \$2,343 and retained earnings by \$3,219 at the transition date.
- (c) R.O.C. GAAP does not specify the rules on recognition of the cost of accumulated unused compensated absences. The Company recognized such cost as expense upon actual payment. However, IAS 19, 'Employee Benefits', requires that cost of accumulated unused compensated absences should be accrued as expense at the end of the reporting period. Therefore, the Company increased accrued expenses and deferred income tax assets – non-current by \$10,054 and \$1,762, respectively, and decreased retained earnings and minority interest by \$7,919 and \$373, respectively, at the transition date.
- (d) Where an investee issues new shares and if the Group does not purchase or acquire new shares proportionately, which results in a decrease in the Group's ownership percentage of the investee but does not lose significant influence, then under R.O.C. GAAP, capital surplus and long-term equity investment shall be adjusted for the changes in net assets of the investee in equity. In accordance with IAS 28, 'Investments in Associates', increase in equity

investment should be accounted for as investment acquired while decrease in equity investment should be accounted for as investment disposed and the Group should recognise gain or loss on disposal. Therefore, the Company decreased capital surplus -- long-term investment by \$14,510 and increased retained earnings by \$14,510 at the transition date.

- (e) The Company has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date, and to deal with translation differences arising subsequent to the transition date in accordance with IAS 21, 'The Effects of Changes in Foreign Exchange Rates'. Therefore, the Company increased cumulative translation adjustments by \$11,842 and decreased retained earnings by \$11,842 at the transition date.

B.Reconciliation for equity on December 31, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
<u>Current assets</u>				
Cash and cash equivalents	\$ 278,502	\$ -	\$ 278,502	
Available-for-sale financial assets				
- current	5,770	-	5,770	
Notes receivable	54,846	-	54,846	
Accounts receivable	796,033	-	796,033	
Other receivables	5,059	-	5,059	
Inventories	352,675	-	352,675	
Current income tax assets	2,770	(2,770)	-	B(a)
Other current assets	37,050	-	37,050	
Total current assets	<u>1,532,705</u>	<u>(2,770)</u>	<u>1,529,935</u>	
<u>Non-current assets</u>				
Financial assets measured at cost				
- non-current	37,217	-	37,217	
Property, plant and equipment	366,332	-	366,332	
Intangible assets	585	-	585	
Deferred income tax assets	4,812	4,092	8,904	B(a) - B(b)
Other non-current assets	72,326	2,297	74,623	B(b)
Total non-current assets	<u>481,272</u>	<u>6,389</u>	<u>487,661</u>	
Total assets	<u>\$ 2,013,977</u>	<u>\$ 3,619</u>	<u>\$ 2,017,596</u>	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
<u>Current liabilities</u>				
Short-term loans	\$ 398,200	\$ -	\$ 398,200	
Short-term notes and bills payable	49,996	-	49,996	
Financial liabilities at fair value through profit or loss - current	5,091		5,091	
Notes payable	26,445	-	26,445	
Accounts payable	449,048	-	449,048	
Other payables	97,248	10,266	107,514	B(c)
Current income tax liabilities	23,537	-	23,537	
Other current liabilities	27,300	-	27,300	
Total current liabilities	<u>1,076,865</u>	<u>10,266</u>	<u>1,087,131</u>	
<u>Non-current liabilities</u>				
Bonds payable – non-current	193,520	-	193,520	
Deferred income tax liabilities	-	133	133	B(a)
Other non-current liabilities	10,546	(1,356)	9,190	B(b)
Total non-current liabilities	<u>204,066</u>	<u>(1,223)</u>	<u>202,843</u>	
Total Liabilities	<u>1,280,931</u>	<u>9,043</u>	<u>1,289,974</u>	
<u>Equity attributable to owners of the parent</u>				
Share capital				
Common share	482,603	-	482,603	
Capital surplus	158,337	(14,510)	143,827	B(d)
Retained earnings				
Legal reserve	63,560	-	63,560	
Special reserve	11,685	-	11,685	
Unappropriated retained earnings	146,428	(2,008)	144,420	B(b) · B(c) · B(d) · B(e)
Other equity	(32,339)	11,842	(20,497)	B(e)
Treasury shares	(128,126)	-	(128,126)	
<u>Non-controlling interest</u>	<u>30,898</u>	<u>(748)</u>	<u>30,150</u>	B(b) · B(c)
Total equity	<u>733,046</u>	<u>(5,424)</u>	<u>727,622</u>	
Total liabilities and equity	<u>\$ 2,013,977</u>	<u>\$ 3,619</u>	<u>\$ 2,017,596</u>	

Reasons for reconciliation are outlined below:

- (a) Under IAS 1, 'Presentation of Financial Statements', an entity should not classify a deferred tax asset or liability as current, and shall not express in net amount the deferred tax asset and liability belonging to different entities. Therefore, the Company has increased deferred tax asset – non-current by \$2,903, decreased deferred tax asset – current by \$2,770 and increased deferred tax liability – non-current by \$133.

- (b)i. The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, 'Employee Benefits', requires an entity to determine the rate used to discount employee benefits with reference to market yields at the end of the reporting period on high quality corporate bonds of a currency and term consistent with the currency and term of the benefit obligation; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end of the reporting period) instead.
- ii. In accordance with the Company's accounting policies, unrecognised transitional net benefit obligation should be amortised on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, the transitional provisions in IAS 19 are not applied to the Company as the first-time adopter of IFRSs, so the Company has no unrecognised transitional liabilities.
- iii. The Company has elected to recognise all accumulated actuarial gain or loss with respect to the employee benefit plans in retained earnings at the date of transition to IFRSs.
- Because of the aforementioned actuarial result estimated based on IAS 19, 'Employee Benefits' and exemptions under IFRS 1, 'First time adoption of IFRS' elected by the Company, the Company decreased minority interest by \$189, deferred income tax assets – non-current by \$611 and accrued pension liabilities by \$1,356, and increased other assets – others by \$2,297 and retained earnings by \$3,231 at the end of the reporting period.
- (c) R.O.C. GAAP does not specify the rules on recognition of the cost of accumulated unused compensated absences. The Company recognized such cost as expense upon actual payment. However, IAS 19, 'Employee Benefits', requires that cost of accumulated unused compensated absences should be accrued as expense at the end of the reporting period. Therefore, the Company increased accrued expenses by \$10,266, deferred income tax assets – non-current by \$1,800 and salary expenses by \$26, and decreased retained earnings by \$7,919, income tax expense by \$38, and minority interest by \$559 at the end of the reporting period.
- (d) Where an investee issues new shares and if the Group does not purchase or acquire new shares proportionately, which results in a decrease in the Group's ownership percentage of the investee but does not lose significant influence, then under R.O.C. GAAP, capital surplus and long-term equity investment shall be adjusted for the changes in net assets of the investee in equity. In accordance with IAS 28, 'Investments in Associates', increase in equity investment should be accounted for as investment acquired while decrease in equity investment should be accounted for as investment disposed and the Group should recognise gain or loss on disposal. Therefore, the Company decreased capital surplus – long-term investment by \$14,510 and increased retained earnings by \$14,510 at the end of the reporting period.

(e)The Company has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date, and to deal with translation differences arising subsequent to the transition date in accordance with IAS 21, 'The Effects of Changes in Foreign Exchange Rates'. Therefore, the Company increased cumulative translation adjustments by \$11,842 and decreased retained earnings by \$11,842 at the end of the reporting period.

C.Reconciliation for comprehensive income for the year ended December 31, 2012:

	Effect of transition from R.O.C.			Remark
	R.O.C. GAAP	GAAP to IFRSs	IFRSs	
Operating revenue	\$ 3,685,394	\$ -	\$ 3,685,394	
Operating costs	(2,972,027)	-	(2,972,027)	
Gross profit	713,367	-	713,367	
Operating expenses				
Selling expenses	(383,078)	-	(383,078)	
General and administrative expenses	(165,476)	(26)	(165,502)	B(c)
	(548,554)	(26)	(548,580)	
Operating profit	164,813	(26)	164,787	
Non-operating income and expenses				
Other income	4,356	-	4,356	
Other gains and losses	(2,979)	-	(2,979)	
Finance costs	(12,121)	-	(12,121)	
	(10,744)	-	(10,744)	
Profit before income tax	154,069	(26)	154,043	
Income tax expense	(41,430)	38	(41,392)	B(c)
Profit for the year	112,639	12	112,651	
Other comprehensive income				
Currency translation differences	-	(20,228)	(20,228)	
Unrealized gain (loss) on valuation of available-for-sale financial assets	-	(1,463)	(1,463)	
Actuarial loss on defined benefit plan	-	(148)	(148)	
Income tax relating to the components of other comprehensive income	-	25	25	
Other comprehensive income for the year, net of tax	-	(21,814)	(21,814)	
Total comprehensive income for the year	\$ 112,639	(\$ 21,802)	\$ 90,837	
Profit attributable to:				
Owners of the parent	\$ 112,125	\$ 142	\$ 112,267	
Non-controlling interest	514	(130)	384	
	\$ 112,639	\$ 12	\$ 112,651	
Total comprehensive income attributable to:				
Owners of the parent	\$ 112,125	(\$ 20,631)	\$ 91,494	
Non-controlling interest	514	(1,171)	(657)	
	\$ 112,639	(\$ 21,802)	\$ 90,837	

D. Major adjustments for the consolidated statements of cash flows for the year ended December 31, 2012:

- (a) The transition of R.O.C. GAAP to IFRSs has no effect on the Group's cash flows reported.
- (b) The reconciliation between R.O.C. GAAP and IFRSs has no net effect on the Group's cash flows reported.