WT MICROELECTRONICS CO., LTD. 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 consolidated 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 consolidated financial statements shall prevail. This English translation does not include additional disclosures that are required for Chinese-language reports under the Guidelines for Securities Issuers' Financial Reporting promulgated by the Securities and Futures Commission of the Republic of China.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of WT Microelectronics Co., Ltd.

PWCR13000367

We have audited the accompanying consolidated balance sheets of WT Microelectronics Co., Ltd. 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 Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the "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 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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of WT Microelectronics Co., Ltd. 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.

We have also audited the parent company only financial statements of WT Microelectronics Co., Ltd. as of and for the years ended December 31, 2013 and 2012, on which we have expressed an unqualified opinion on such financial statements.

PricewaterhouseCoopers, Taiwan
March 17, 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.
As the consolidated financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012
(Expressed in thousands of New Taiwan dollars)

			December 31, 2013		December 31, 2012		January 1, 2012	
	Assets	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 1,779,370	5	$ 1,612,808	5	$ 1,268,257	6
1125	Available-for-sale financial assets - current	6(2)	1,179,694	3	418,819	1	28,376	-
1170	Accounts receivable, net	6(3)	11,573,102	34	10,558,129	33	8,357,656	35
1200	Other receivables	6(3)	4,371,896	13	4,049,382	13	1,223,740	5
130X	Inventory	6(4)	12,463,325	36	11,896,230	38	10,262,695	43
1410	Prepayments	6(5)	315,346	1	298,755	1	298,777	1
1470	Other current assets	8	2,267	-	10,881	-	7,848	-
11XX	**Total current assets**		31,685,000	92	28,845,004	91	21,447,349	90
	Non-current assets							
1543	Financial assets carried at cost – non-current	6(6)	78,385	-	98,405	-	287,138	1
1550	Investments accounted for using equity method	6(7)	40,437	-	45,728	-	34,811	-
1600	Property, plant and equipment	6(8)	636,010	2	608,659	2	631,823	3
1760	Investment property - net	6(9)	109,012	-	109,826	-	9,761	-
1780	Intangible assets	6(10)	1,658,448	5	1,497,048	5	1,097,025	4
1840	Deferred income tax assets	6(28)	266,980	1	250,486	1	212,383	1
1900	Other non-current assets	6(11)	131,009	-	217,387	1	156,053	1
15XX	**Total non-current assets**		2,920,281	8	2,827,539	9	2,428,994	10
1XXX	**Total assets**		$ 34,605,281	100	$ 31,672,543	100	$ 23,876,343	100

(Continued)

WT MICROELECTRONICS CO., LTD. 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 AMOUNT	%	December 31, 2012 AMOUNT	%	January 1, 2012 AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(12)	$ 5,566,033	16	$ 4,753,762	15	$ 2,206,312	9
2170	Accounts payable		10,707,694	31	10,203,582	32	7,857,893	33
2200	Other payables	6(13)	1,067,656	3	899,051	3	780,044	3
2230	Current income tax liabilities		193,827	1	231,391	1	120,274	1
2320	Long-term liabilities, current portion	6(14)	2,386,000	7	-	-	-	-
2399	Other current liabilities		163,078	-	129,434	-	117,793	-
21XX	**Total current liabilities**		20,084,288	58	16,217,220	51	11,082,316	46
	Non-current liabilities							
2540	Long-term loans	6(14)	2,099,000	6	4,646,400	15	4,087,800	17
2570	Deferred income tax liabilities	6(28)	121,164	1	68,519	-	44,019	1
2600	Other non-current liabilities	6(15)	33,341	-	49,656	-	44,033	-
25XX	**Total non-current liabilities**		2,253,505	7	4,764,575	15	4,175,852	18
2XXX	**Total liabilities**		22,337,793	65	20,981,795	66	15,258,168	64
	Equity attributable to owners of parent							
	Share capital	6(17)						
3110	Share capital - common stock		3,375,651	10	3,375,651	11	2,882,247	12
	Capital surplus	6(18)						
3200	Capital surplus		4,779,078	14	4,779,078	15	3,404,764	14
	Retained earnings	6(19)						
3310	Legal reserve		807,550	2	699,893	2	555,851	2
3320	Special reserve		152,576	-	216,172	1	321,152	2
3350	Unappropriated retained earnings		2,329,927	7	1,770,452	6	1,710,434	7
	Other equity interest	6(20)						
3400	Other equity interest		822,144	2	(155,453)	(1)	(216,173)	(1)
3500	Treasury stocks	6(17)	-	-	-	-	(46,943)	-
31XX	**Equity attributable to owners of the parent**		12,266,926	35	10,685,793	34	8,611,332	36
36XX	**Non-controlling interest**	6(21)	562	-	4,955	-	6,843	-
3XXX	**Total equity**		12,267,488	35	10,690,748	34	8,618,175	36
	Commitments and contingent liabilities	9						
	Total liabilities and equity		$ 34,605,281	100	$ 31,672,543	100	$ 23,876,343	100

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

	Items	Notes	2013 AMOUNT	2013 %	2012 AMOUNT	2012 %
4000	**Operating revenue**	6(22)	$ 87,759,131	100	$ 80,351,279	100
5000	**Operating costs**	6(4)	(82,643,922)	(94)	(75,684,124)	(94)
5900	**Net operating margin**		5,115,209	6	4,667,155	6
	Operating expenses	6(26)				
6100	Selling expenses		(2,357,537)	(3)	(2,205,171)	(3)
6200	General and administrative expenses		(723,938)	(1)	(606,930)	(1)
6300	Research and development expenses		(279,409)	-	(276,294)	-
6000	**Total operating expenses**		(3,360,884)	(4)	(3,088,395)	(4)
6900	**Operating profit**		1,754,325	2	1,578,760	2
	Non-operating income and expenses					
7010	Other income	6(23)	41,224	-	27,694	-
7020	Other gains and losses	6(24)	119,363	-	11,496	-
7050	Finance costs	6(25)	(268,020)	-	(257,695)	-
7060	Share of loss of associates and joint ventures accounted for using equity method	6(7)	(6,459)	-	(12,649)	-
7000	**Total non-operating revenue and expenses**		(113,892)	-	(231,154)	-
7900	**Profit before income tax**		1,640,433	2	1,347,606	2
7950	Income tax expense	6(28)	(336,073)	-	(267,880)	(1)
8200	**Profit for the year**		$ 1,304,360	2	$ 1,079,726	1
	Other comprehensive income (loss)					
8310	Financial statements translation differences of foreign operations		$ 226,779	-	($ 257,014)	-
8325	Unrealized gain on valuation of available-for-sale financial assets	6(20)	750,870	1	317,483	-
8360	Actuarial gain on defined benefit plan	6(15)	9,735	-	725	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	6(20)	(139)	-	250	-
8399	Income tax relating to the components of other comprehensive income	6(28)	(1,655)	-	(123)	-
8300	**Total other comprehensive income for the year**		$ 985,590	1	$ 61,321	-
8500	**Total comprehensive income for the year**		$ 2,289,950	3	$ 1,141,047	1
	Profit, attributable to:					
8610	Owners of the parent		$ 1,304,342	2	$ 1,078,920	1
8620	Non-controlling interest		18	-	806	-
			$ 1,304,360	2	$ 1,079,726	1
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		$ 2,290,019	3	$ 1,140,242	1
8720	Non-controlling interest		(69)	-	805	-
			$ 2,289,950	3	$ 1,141,047	1
	Earnings per share	6(29)				
9750	**Total basic earnings per share**		$	3.86	$	3.24
9850	**Total diluted earnings per share**		$	3.86	$	3.23

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan Dollars)

		Equity attributable to owners of the parent											
			Capital Surplus		Retained Earnings			Other equity interest					
	Notes	Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total	Non-controlling interest	Total equity
Year 2012													
Balance at January 1, 2012		$ 2,882,247	$ 3,382,142	$ 22,622	$ 555,851	$ 321,152	$ 1,710,434	($ 219,247)	$ 3,074	($ 46,943)	$ 8,611,332	$ 6,843	$ 8,618,175
Issuance of common stocks through merger	6(30)	404,502	1,377,327	-	-	-	-	-	-	-	1,781,829	-	1,781,829
Shares issued for employee stock options	6(17)	17,110	17,730	-	-	-	-	-	-	-	34,840	-	34,840
Appropriations of 2011 earnings:	6(19)												
Leagal reserve		-	-	-	144,042	-	(144,042)	-	-	-	-	-	-
Reversal of special reserve		-	-	-	-	(104,980)	104,980	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(881,931)	-	-	-	(881,931)	-	(881,931)
Stock dividends		97,992	-	-	-	-	(97,992)	-	-	-	-	-	-
Consolidated net income for 2012		-	-	-	-	-	1,078,920	-	-	-	1,078,920	806	1,079,726
Other comprehensive income (loss) for 2012	6(20)	-	-	-	-	-	602	(256,763)	317,483	-	61,322	(1)	61,321
Changes in equity of associates accounted for using equity method	6(7)	-	-	-	-	-	(519)	-	-	-	(519)	-	(519)
Retirement of treasury stock	6(17)	(26,200)	(38,863)	18,120	-	-	-	-	-	46,943	-	-	-
Changes in non-controlling interests	6(21)	-	-	-	-	-	-	-	-	-	-	(2,693)	(2,693)
Balance at December 31, 2012		$ 3,375,651	$ 4,738,336	$ 40,742	$ 699,893	$ 216,172	$ 1,770,452	($ 476,010)	$ 320,557	$ -	$ 10,685,793	$ 4,955	$ 10,690,748
Year 2013													
Balance at January 1, 2013		$ 3,375,651	$ 4,738,336	$ 40,742	$ 699,893	$ 216,172	$ 1,770,452	($ 476,010)	$ 320,557	$ -	$ 10,685,793	$ 4,955	$ 10,690,748
Appropriations of 2012 earnings:	6(19)												
Legal reserve		-	-	-	107,657	-	(107,657)	-	-	-	-	-	-
Reversal of special reserve		-	-	-	-	(63,596)	63,596	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(708,886)	-	-	-	(708,886)	-	(708,886)
Consolidated net income for 2013		-	-	-	-	-	1,304,342	-	-	-	1,304,342	18	1,304,360
Other comprehensive income (loss) for 2013	6(20)	-	-	-	-	-	8,080	226,727	750,870	-	985,677	(87)	985,590
Changes in non-controlling interests	6(21)	-	-	-	-	-	-	-	-	-	-	(4,324)	(4,324)
Balance at December 31, 2013		$ 3,375,651	$ 4,738,336	$ 40,742	$ 807,550	$ 152,576	$ 2,329,927	($ 249,283)	$ 1,071,427	$ -	$ 12,266,926	$ 562	$ 12,267,488

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

WT MICROELECTRONICS CO., LTD. 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		$ 1,640,433	$ 1,347,606
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(26)	50,826	46,720
Amortization	6(26)	32,312	56,072
Provision for doubtful accounts		44,911	6,156
Gain on disposal of investments	6(24)	(39,445)	(15,280)
Impairment loss on financial assets	6(24)	-	25,096
Loss on disposal of property, plant and equipment, net		449	1,133
Investment income from the excess of the carrying amount over the capital reduction of financial assets carried at cost	6(23)	(8,983)	-
Share of loss of associates and joint ventures accounted for using equity method	6(7)	6,459	12,649
Interest income	6(23)	(5,004)	(7,651)
Interest expense	6(25)	123,714	110,494
Dividend income		(421)	(805)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable		(773,423)	(1,175,958)
Other receivables		(284,497)	(2,561,922)
Inventories		(257,137)	(1,118,045)
Prepayments		(30,983)	40,195
Net changes in liabilities relating to operating activities			
Accounts payable		39,487	2,283,619
Other payables		112,607	78,332
Other current liabilities		30,068	14,862
Accrued pension liabilities		(7,581)	(6,439)
Cash provided by (used in) generated from operations		673,792	(863,166)
Interest received		5,004	7,651
Interest paid		(118,977)	(106,383)
Dividends received		421	805
Income taxes paid		(348,924)	(214,256)
Net cash provided by (used in) operating activities		211,316	(1,175,349)

(Continued)

WT MICROELECTRONICS CO., LTD. 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 INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale financial assets		$ 46,777	$ 63,036
Decrease in other financial assets		17,785	66,872
Acquisition of financial assets carried at cost		-	(6,131)
Proceeds from disposal of financial assets carried at cost		-	12,756
Proceeds from capital reduction of financial assets carried at cost		29,386	19,694
Acquisition of investments accounted for using equity method	6(7)	-	(29,360)
Acquisition of property, plant and equipment	6(8)	(74,825)	(18,569)
Proceeds from disposal of property, plant and equipment		75	-
Net cash (outflows) inflows from business combination	6(31)	(37,894)	373,790
Acquisition of intangible assets		(17,437)	-
Decrease (increase) in other non-current assets		18,502	(19,022)
Increase in prepayments for investments		-	(51,913)
Net cash (used in) provided by investing activities		(17,631)	411,153
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowing		807,914	2,187,868
Decrease in long-term loans		(161,400)	(213,035)
Increase in other non-current liabilities		1,001	4,217
Proceeds from exercise of employee stock options		-	34,840
Cash dividends paid	6(19)	(708,886)	(881,931)
Charges in non-controlling interests	6(21)	(4,324)	(2,693)
Net cash (used in) provided by financing activities		(65,695)	1,129,266
		38,572	(20,519)
Increase in cash and cash equivalents		166,562	344,551
Cash and cash equivalents at beginning of year		1,612,808	1,268,257
Cash and cash equivalents at end of year		$ 1,779,370	$ 1,612,808

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

1. HISTORY AND ORGANIZATION

WT Microelectronics Co., Ltd. (the "Company") was incorporated as company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectirely referred herein as the “Group”) are prmarily engaged in the development and sales of electronic and communication components.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 17, 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. The Group recognised gain on equity instruments amounting to $750,870, in other comprehensive income for the year ended December 31, 2013.

(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 derecognising the liabilities; and all other changes in fair value are recognised 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 derecognised 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 normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation 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 recognise 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

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
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
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

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
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 expenses, is recognised in other comprehensive income.	January 1, 2013
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

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
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
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 of loss instead of consolidating them.	January 1, 2014

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
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
IFRS 9 "Financial assets: hedge accounting" and amendments to IFRS9, IFRS7 and IAS39	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 liabilities that are designated under the fair value option in 'other comprehensive income'.	November 19, 2013 (Not mandatory)

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
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.

(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 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 14 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) 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 unrealized 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 from equity.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2013	Ownership (%) December 31, 2012	Ownership (%) January 1, 2012	Note
WT Microelectronics Co., Ltd.	Wintech Microelectronics Holding Ltd.	Investment Company	99.49	99.49	99.49	
WT Microelectronics Co., Ltd.	Morrihan International Corp.	Trading Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	BSI Semiconductor Pte. Ltd.	Trading Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	Nuvision Technology Inc.	Trading Company	99.88	99.88	99.88	
WT Microelectronics Co., Ltd.	Milestone Investment Co., Ltd.	Investment Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	SinYie Investment Co., Ltd.	Investment Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	DE Technology Inc.	Software Services	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	AboveE Technology Inc.	Software Services	100.00	85.39	85.39	
WT Microelectronics Co., Ltd.	Techmosa International Inc.	Trading Company	100.00	100.00	-	(b)
WT Microelectronics Co., Ltd.	MSD Holdings Pte. Ltd.	Trading Company	100.00	-	-	(a)
Wintech Microelectronics Holding Ltd.	WT Microelectronics (Shanghai) Co., Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Ltd.	Promising Investment Limited	Investment Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Ltd.	Wintech Microelectronics Ltd.	Trading Company	100.00	100.00	100.00	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			December 31, 2013	December 31, 2012	January 1, 2012	
Wintech Microelectronics Holding Ltd.	Wintech Microelectronics Limited	Investment Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Ltd.	WT Technology Pte. Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Ltd.	Wintech Investment Co., Ltd.	Investment Company	100.00	100.00	100.00	
BSI Semiconductor Pte. Ltd.	BSI Semiconductor (Singapore) Pte. Ltd.	Trading Company	100.00	100.00	100.00	
BSI Semiconductor Pte. Ltd.	BSI Semiconductor (HK) Company Limited	Trading Company	100.00	100.00	100.00	
BSI Semiconductor Pte. Ltd.	BSI Semiconductor (Korea) Co., Ltd.	Trading Company	100.00	100.00	100.00	
BSI Semiconductor Pte. Ltd.	Wonchang Semiconductor Co., Ltd.	Trading Company	100.00	100.00	100.00	
Morrihan International Corp.	Hotech Electronics Corp.	Trading Company	100.00	100.00	100.00	
Morrihan International Corp.	Value Provider International Corp.	Trading Company	100.00	100.00	100.00	
Morrihan International Corp.	Asia Latest Technology Ltd.	Investment Company	100.00	100.00	100.00	
WT Microelectronics (Shanghai) Co., Ltd.	CooMo Software Ltd.	Software Services	-	78.50	78.50	(c)
Promising Investment Limited	WT Technology (H.K.) Limited	Trading Company	100.00	100.00	100.00	
Promising Investment Limited	Solomon QCE Ltd.	Trading Company	100.00	100.00	100.00	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2013	December 31, 2012	January 1, 2012	Note
Promising Investment Limited	WT Microelectronics (Hong Kong) Ltd.	Trading Company	100.00	100.00	100.00	
Promising Investment Limited	Nino Capital Co., Ltd.	Investment Company	100.00	100.00	100.00	
Promising Investment Limited	Rich Web Ltd.	Investment Company	100.00	100.00	100.00	
Wintech Investment Co., Ltd.	WT Microelectronics Korea Co., Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Investment Co., Ltd.	WT Microelectronics Singapore Pte. Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Investment Co., Ltd.	WT Microelectronics (Malaysia) Sdn. Bhd.	Trading Company	100.00	100.00	100.00	
Wintech Investment Co., Ltd.	WT Technology Korea Co., Ltd.	Trading Company	100.00	100.00	100.00	(d)
Nino Capital Co., Ltd.	Shanghai WT Microelectronics Co., Ltd.	Trading Company	100.00	100.00	100.00	
Rich Web Ltd.	WT Microelectronics (Shenzhen) Co., Ltd.	Trading Company	100.00	100.00	100.00	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics (Thailand) Co., Ltd.	Trading Company	100.00	100.00	100.00	
Sin Yie Investment Co., Ltd.	Wintech Microelectronics Holding Ltd.	Investment Company	0.51	0.51	0.51	
Milestone Investment Co., Ltd.	AboveE Technology Inc.	Software Services	-	6.13	6.13	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2013	December 31, 2012	January 1, 2012	Note
Asia Latest Technology Ltd.	Morrihan International Trading (Shanghai) Co., Ltd.	Trading Company	100.00	100.00	100.00	
Techmosa International Inc.	Paramount Technology Corp.	Trading Company	100.00	100.00	-	(b)
Techmosa International Inc.	Techmosa International Holding Ltd.	Investment Company	100.00	100.00	-	(b)
Techmosa International Holding Ltd.	Techmosa Electronics Ltd.	Trading Company	100.00	100.00	-	(b)

Changes in the consolidated subsidiaries:

(a) In February 2013, the Company acquired all shares of MSD Holdings Pte. Ltd. by cash. MSD Holdings Pte. Ltd. has become the Company’s wholly-owned subsidiary, and was then consolidated effective the acquisition date.

(b) In February 2012, the Company acquired all shares of Techmosa International Inc. by way of shares swap transaction. Techmosa International Inc. has become the Company’s wholly-owned subsidiary, and was then consolidated effective the acquisition date.

(c) CooMo Software Ltd. has completed liquidation and deregistered in October 2013. Income and expenses incurred before the date it closed were included in the consolidated financial statements.

(d) Effective April 2013, the Company name of “NSU Semiconductor Co., Ltd.” was changed to “WT Technology Korea Co., Ltd.”.

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

A. The consolidated financial statements are presented in NT dollars, which is the Company’s functional and the Group’s presentation currency.

B. 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 other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

C. Translation of foreign operations

(a) The operating results and financial position of all the group entities and associates 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, even the Group still 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, even the Group still 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.

(d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) <u>Classification of current and non-current items</u>

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) 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’.

(8) 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 directly.

(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 directly.

(9) <u>Derecognition of financial assets</u>

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(10) Leases (lessor)

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

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(12) 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 that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises change in ownership interests in 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. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. When the Group disposes its investment in an associate, if it 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. If it still 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.

(13) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost.

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. If 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.

D. 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	26 ~ 55 years
Office equipment	2 ~ 5 years
Other assets	2 ~ 10 years

(14) Leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 ~ 55 years.

(16) Intangible assets

A. Goodwill arises in a business combination accounted for by applying the acquisition method.

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

C. Customer relationships acquired in a business combination are recognised at fair value at the acquisition date and recorded as other intangible asset. The customer relationships have a finite useful life estimated at 5 years and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.

(17) Impairment of non-financial assets

A. 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.

Except for goodwill, when the circumstances or reasons for recognising 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.

B. The recoverable amount of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(18) Borrowings

A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings 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 borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(19) 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 high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

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 obligation 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.

(20) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. The grant date of cash capital increase reserved for employee preemption is the date at which the entity and the employee agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement.

(21) 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.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(22) 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.

(23) 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.

(24) Revenue recognition

A. The Group sells electronic and communication components. Revenue is measured at the fair value of the consideration received or receivable taking into account of 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 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.

(25) 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.

(26) 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.

5. CRITICALACCOUNTING 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

A. Revenue recognition

The determination of whether the Group is acting as principal or agent in a transaction is based on an evaluation of Group's exposure to the significant risks and rewards associated with the sale of goods or the rendering of service in accordance with the business model and substance of the transaction. Where the Group acts as a principal, the amount of received or receivable from customer is recognised as revenue on a gross basis. Where the Group acts as an agent, net revenue is recognised representing commissions earned.

The following characteristics of a principal are used as indicators to determine whether the Group shall recognise revenue on a gross basis:

a. The Group has primary responsibilities for the goods or services it provides;

b. The Group bears inventory risk;

c. The Group has the latitude in establishing prices for the goods or services, either directly or indirectly.

d. The Group bears credit risk of customers.

B. 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.

The Group recognised impairment loss of 'financial assets carried at cost' in profit or loss for the period when there is objective evidence that individual equity investment is impaired.

C. Financial assets carried at cost

The Group can not obtain sufficient information for its unquoted euqity investments to determine the fair value, so the fair values cannot be reliably measured. Therefore, the investments are classified as "financial assets carried as cost".

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed belows:

A. Allowance for sales returns and discount

In principle, sales revenues are recognised when the earning process is completed. The Group estimates allowance for sales returns and discounts based on historical results and other known factors. Allowance for such liabilities is 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 goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(10) for the information of goodwill impairment.

C. 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 comsumption, 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.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand and (revolving funds)	$ 3,749	$ 2,895	$ 4,582
Checking accounts and demand deposits	1,614,978	1,502,913	1,119,199
Cash equivalents			
Time deposits	123,720	107,000	144,476
Repurchase agreements	36,923	-	-
Total	$ 1,779,370	$ 1,612,808	$ 1,268,257

A. The Group associates with a variety of financial institutions all with good 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's deposits with banks that have been pledged as collateral were transferred to 'other current assets'. Please refer to Note 8 for details.

(2) Available for sale financial assets-current

	December 31, 2013	December 31, 2012	January 1, 2012
Listed stocks	$ 95,376	$ 100,107	$ 27,147
Adjustment of available-for-sale financial assets	1,084,318	318,712	1,229
	$ 1,179,694	$ 418,819	$ 28,376

A. The Group recognised $750,870 and $317,483 in other comprehensive income for fair value change for the years ended December 31, 2013 and 2012, respectively.

B. The Group conducts securities transactions through the Taiwan Stock Exchange and Taiwan Over-The-Counter Securities Exchange. And transactions are done only with counterparties with good credit quality, so it expects that the probability of counterparty default is remote. The maximum exposure to credit risk at balance sheet date is the carrying amount of available-for-sale financial assets.

C. Ambarella, Inc. was transferred from financial assets carried at cost - non-current to available-for-sale financial assets - current.

(3) Notes and accounts receivable

	December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable	$ 904,926	$ 575,399	$ 487,725
Accounts receivable	11,463,880	10,698,114	8,529,115
Less: Allowance for sales returns and discounts	(546,604)	(515,604)	(469,247)
Less: Allowance for doubtful accounts	(249,100)	(199,780)	(189,937)
	$ 11,573,102	$ 10,558,129	$ 8,357,656

A. The Group factored its accounts receivable to certain banks without recourse. Under the factoring agreement, the Group is not required to bear uncollectible risk of the underlying accounts receivable, but is liable for the losses incurred on any business dispute, and did not provide any collateral. Accordingly, these accounts receivable meet the derecognition criteria for financial assets. The Group has derecognised the accounts receivable sold to banks, net of the losses estimated for possible business disputes. As of December 31, 2013 and 2012, January 1, 2012, the relevant information of accounts receivable factored but unsettled were as follows:

December 31, 2013				
Institutions	Accounts receivable sold	Accounts receivable derecognised	Amount advanced	Amount retained
Taishin International Bank	$ 4,837,018	$ 4,596,115	$ 3,547,676	$ 1,289,342
Standard Chartered Bank	2,392,718	2,320,335	960,400	1,432,318
DBS Bank	1,636,116	1,636,116	1,636,116	-
SinoPac Bank	1,509,992	1,475,066	950,578	559,414
Mega International Commercial Bank	1,135,951	1,025,083	1,012,031	123,920
Others	2,073,602	1,949,489	1,373,350	700,252
	$ 13,585,397	$ 13,002,204	$ 9,480,151	$ 4,105,246

December 31, 2012				
Institutions	Accounts receivable sold	Accounts receivable derecognised	Amount advanced	Amount retained
Taishin International Bank	$ 4,634,824	$ 4,500,446	$ 3,232,234	$ 1,402,590
Standard Chartered Bank	2,435,629	2,435,629	1,692,213	743,416
SinoPac Bank	1,408,602	1,362,559	712,510	696,092
Others	2,957,436	2,681,482	1,966,398	991,038
	$ 11,436,491	$ 10,980,116	$ 7,603,355	$ 3,833,136

January 1, 2012				
Institutions	Accounts receivable sold	Accounts receivable derecognised	Amount advanced	Amount retained
Taishin International Bank	$ 3,792,520	$ 3,648,791	$ 3,690,520	$ 102,000
Standard Chartered Bank	2,506,867	2,506,867	2,114,929	391,938
SinoPac Bank	1,480,044	1,477,296	1,331,995	148,049
Others	2,134,587	2,096,611	1,590,552	544,035
	$ 9,914,018	$ 9,729,565	$ 8,727,996	$ 1,186,022

(a) The above amount retained are shown as 'other receivables'.

(b) As of December 31, 2013 and 2012, January 1, 2012, the interest rate of amounts advanced ranged between 0.96%~2.21%, 0.87%~1.58% and 0.98%~2.35%, respectively.

(c) As of December 31, 2013, December 31, 2012 and January 1, 2012, the total limits of the accounts receivable factoring were $26,867,605, $25,801,988 and $18,907,276, respectively.

(d) As of December 31, 2013 and 2012, January 1, 2012, in accordance with the contract between the Group and banks, the promissory notes which represent the performance guarantee against any business disputes were $23,175,554, $21,643,446 and $15,845,968, respectively.

(e) For the years ended December 31, 2013 and 2012, the financing charges that the Group recognised on factoring were $124,624 and $122,875 (shown as 'financial costs'), respectively.

(f) The Group associates with a variety of financial institutions all with good credit quality for accounts receivable factoring, 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 the above amount retained.

B. The maximum exposure to credit risk as of December 31, 2013, December 31, 2012 and January 1, 2012 is the carrying amount of each class of notes and accounts receivable.

C. The Group did not hold any collateral as security.

(4) Inventories

	December 31, 2013	December 31, 2012	January 1, 2012
Merchandise inventory	$ 13,282,333	$ 12,657,088	$ 10,886,255
Less: Allowance for inventory obsolescence and market value decline	(819,008)	(760,858)	(623,560)
	$ 12,463,325	$ 11,896,230	$ 10,262,695

Expenses and losses incurred on inventories were as follows:

	For the years ended December 31,			
	2013		2012	
Cost of inventories sold	$	82,603,140	$	75,574,288
Loss on market price decline		40,782		109,836
	$	82,643,922	$	75,684,124

(5) Prepayments

	December 31, 2013		December 31, 2012		January 1, 2012	
Excess VAT paid	$	263,988	$	259,201	$	221,427
Prepayment to suppliers		13,130		6,547		39,244
Others		38,228		33,007		38,106
	$	315,346	$	298,755	$	298,777

(6) Financial assets carried at cost

	December 31, 2013		December 31, 2012		January 1, 2012	
Non-current items:						
Emerging stocks	$	5,963	$	5,963	$	9,489
Unlisted stocks		72,422		92,442		277,649
	$	78,385	$	98,405	$	287,138

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

B. For the years ended December 31, 2012, the Group recognised impairment loss of $20,898 (shown as "other gains and losses"), as the recoverable amount of certain financial assets carried at cost held by the Group was less than its carrying amount.

C. Ambarella, Inc., which is held by the Group, was listed in NASDAQ in October 2012, and the investment was reclassified as "available for sale financial asset-current".

D. As of December 31, 2013, December 31, 2012 and January 1, 2012, none of the Group's financial assets carried at cost was pledged to others.

(7) Investments accounted for using equity method

	For the years ended December 31,	
	2013	2012
At January 1	$ 45,728	$ 34,811
Increase in investments accounted for using equity method	-	29,360
Changes of associates and joint ventures accounted for using equity method	-	(519)
Share of loss of associates accounted for using equity method	(6,459)	(12,649)
Share of other comprehensive income of associates accounted for using equity method (Note6(21) - Other equity items)	(139)	250
Impairment loss	-	(4,198)
Financial statements translation differences of foreign operations	1,307	(1,327)
At December 31	$ 40,437	$ 45,728

A.The summary of financial information of the Group's principal associate, JCD Optical Corporation Limited, is as follows:

	Assets	Liabilities	Revenue	Loss	Ownership
December 31, 2013	$ 136,060	$ 8,176	$ 52,717	($ 21,053)	31.62%
December 31, 2012	$ 153,887	$ 9,271	$ 90,420	($ 40,710)	31.62%
January 1, 2012	$ 106,077	$ 6,773			30.84%

B.For the year ended December 31, 2012, the Group recognised impairment loss of $4,198 (shown as 'other gains and losses') as the recoverable amount of AM Technology Co., Ltd. was less than its carrying amount.

(8) Property, plant and equipment

	Land	Buildings	Office equipment	Others	Unfinished construction	Total
At January 1, 2013						
Cost	$284,252	$ 312,342	$242,618	$117,531	$ -	$ 956,743
Accumulated depreciation and impairment	-	(60,102)	(192,881)	(95,101)	-	(348,084)
	$284,252	$252,240	$ 49,737	$ 22,430	$ -	$ 608,659

	Land	Buildings	Office equipment	Others	Unfinished construction	Total
Year 2013						
Opening net book amount	$284,252	$252,240	$ 49,737	$ 22,430	$ -	$ 608,659
Additions	-	-	24,282	36,522	14,021	74,825
Acquired from business combinations	-	-	19	-	-	19
Disposals	-	-	(495)	(29)	-	(524)
Reclassifications	-	-	-	14,021	(14,021)	-
Depreciation charge	-	(8,859)	(21,424)	(19,729)	-	(50,012)
Net exchange differences	735	361	(2,015)	3,962	-	3,043
Closing net book amount	$284,987	$243,742	$ 50,104	$ 57,177	$ -	$ 636,010
At December 31, 2013						
Cost	$284,987	$312,773	$255,121	$166,575	$ -	$1,019,456
Accumulated depreciation and impairment	-	(69,031)	(205,017)	(109,398)	-	(383,446)
	$284,987	$243,742	$ 50,104	$ 57,177	$ -	$ 636,010

	Land	Buildings	Office equipment	Others	Unfinished construction	Total
At January 1, 2012						
Cost	$283,750	$312,048	$248,282	$ 99,150	$ -	$ 943,230
Accumulated depreciation and impairment	-	(51,211)	(189,650)	(70,546)	-	(311,407)
	$283,750	$260,837	$ 58,632	$ 28,604	$ -	$ 631,823
Year 2012						
Opening net book amount	$283,750	$260,837	$ 58,632	$ 28,604	$ -	$ 631,823
Additions	-	-	7,948	10,621	-	18,569
Acquired from business combinations	-	-	2,134	1,892	-	4,026
Disposals	-	-	(905)	(228)	-	(1,133)
Depreciation charge	-	(9,537)	(23,628)	(12,785)	-	(45,950)
Net exchange differences	502	940	5,556	(5,674)	-	1,324
Closing net book amount	$284,252	$252,240	$ 49,737	$ 22,430	$ -	$ 608,659

	Land	Buildings	Office equipment	Others	Unfinished construction	Total
At December 31, 2012						
Cost	$284,252	$312,342	$242,618	$ 117,531	$ -	$ 956,743
Accumulated depreciation and impairment	-	(60,102)	(192,881)	(95,101)	-	(348,084)
	$284,252	$252,240	$ 49,737	$ 22,430	$ -	$ 608,659

The information on property, plant and equipment acquired through business combinations for the years ended December 31, 2013 and 2012 is provided in Note 6(30).

(9) Investment property

	Land	Buildings	Total
At January 1, 2013			
Cost	$ 84,736	$ 37,099	$ 121,835
Accumulated depreciation and impairment	(1,897)	(10,112)	(12,009)
	$ 82,839	$ 26,987	$ 109,826
Year 2013			
Opening net book amount	$ 82,839	$ 26,987	$ 109,826
Depreciation charge	-	(814)	(814)
Closing net book amount	$ 82,839	$ 26,173	$ 109,012
At December 31, 2013			
Cost	$ 84,736	$ 37,099	$ 121,835
Accumulated depreciation and impairment	(1,897)	(10,926)	(12,823)
	$ 82,839	$ 26,173	$ 109,012

	Land	Buildings	Total
At January 1, 2012			
Cost	$ 4,569	$ 9,227	$ 13,796
Accumulated depreciation and impairment	(1,897)	(2,138)	(4,035)
	$ 2,672	$ 7,089	$ 9,761
Year 2012			
Opening net book amount	$ 2,672	$ 7,089	$ 9,761
Acquired from business combinations	80,167	20,668	100,835
Depreciation charge	-	(770)	(770)
Closing net book amount	$ 82,839	$ 26,987	$ 109,826
At December 31, 2012			
Cost	$ 84,736	$ 37,099	$ 121,835
Accumulated depreciation and impairment	(1,897)	(10,112)	(12,009)
	$ 82,839	$ 26,987	$ 109,826

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	For the years ended December 31,	
	2013	2012
Rental income from the lease of the investment property	$ 1,525	$ 2,087
Direct operating expenses arising from the investment property that generated rental income in the period	$ 814	$ 770

B. The fair value of the investment property held by the Group as at December 31, 2013, December 31, 2012 and January 1, 2012 were $112,138, $114,014 and $115,543, respectively, were the valuation of market prices estimated using comparison approach.

C. The information on investment property acquired through business combinations for the year ended December 31, 2012 is provided in Note 6(30).

(10) Intangible assets

	Goodwill	Software	Others	Total
At January 1, 2013				
Cost	$ 1,481,307	$ -	$ 218,899	$ 1,700,206
Accumulated amortization and Impairment	-	-	(203,158)	(203,158)
	$ 1,481,307	$ -	$ 15,741	$ 1,497,048
Year 2013				
Opening net book amount	$ 1,481,307	$ -	$ 15,741	$ 1,497,048
Acquired through business combinations	137,892	-	-	137,892
Additions	-	17,437	-	17,437
Amortization charge (Shown as 'general and administrative expenses')	-	(5,758)	(10,718)	(16,476)
Net exchange differences	22,155	-	392	22,547
Closing net book amount	$ 1,641,354	$ 11,679	$ 5,415	$ 1,658,448
At December 31, 2013				
Cost	$ 1,641,354	$ 17,437	$ 223,936	$ 1,882,727
Accumulated amortization and impairment	-	(5,758)	(218,521)	(224,279)
	$ 1,641,354	$ 11,679	$ 5,415	$ 1,658,448

	Goodwill	Software	Others	Total
At January 1, 2012				
Cost	$ 1,043,203	$ -	$ 224,307	$ 1,267,510
Accumulated amortization and Impairment	-	-	(170,485)	(170,485)
	$ 1,043,203	$ -	$ 53,822	$ 1,097,025
Year 2012				
Opening net book amount	$ 1,043,203	$ -	$ 53,822	$ 1,097,025
Acquired through business combinations	521,726	-	-	521,726
Additions	(42,030)	-	-	(42,030)
Amortization charge (shown as 'general and administrative expenses')	-	-	(37,485)	(37,485)
Net exchange differences	(41,592)	-	(596)	(42,188)
Closing net book amount	$ 1,481,307	$ -	$ 15,741	$ 1,497,048
At December 31, 2012				
Cost	$ 1,481,307	$ -	$ 218,899	$ 1,700,206
Accumulated amortization and impairment	-	-	(203,158)	(203,158)
	$ 1,481,307	$ -	$ 15,741	$ 1,497,048

A. Other intangible assets are mainly customer relationship.

B. The information on intangible assets acquired through business combinations for the years ended December 31, 2013 and 2012 is provided in Note 6(30).

C. The adjustment in 2012 was based on contingent consideration set in business transfer agreement to adjust acquisition costs, and the Group also adjusted goodwill arising from business combinations.

D. The Group evaluated the impairment of recoverable amount of the goodwill at each reporting date and used the value-in-use calculation as basis for recoverable amount. These calculations use future cash flow projections based on financial budgets approved by the management covering a five-year period.

   The future cash flows were estimated based on the annual revenue, gross profit and other operating expenses in the future. The Group's estimated average annual revenue growth rate is 6%~10%, and adopted discount rate is the pre-tax ratio of weighted average capital cost to reflect risk of related cash-generating units. There was no impairment loss on goodwill in accordance with the aforementioned assessment.

(11) Other non-current assets

	December 31, 2013	December 31, 2012	January 1, 2012
Refundable deposit	$ 101,711	$ 129,353	$ 124,359
Non-current prepayments for investments	-	51,913	-
Others	29,298	36,121	31,694
	$ 131,009	$ 217,387	$ 156,053

The information on above non-current prepayments for investment investment is provided in Note 6(30).

(12) Short-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Credit loans	$ 5,566,033	$ 4,753,762	$ 2,206,312
Interest rates per annum	0.996%~1.6%	0.80%~1.19%	1.05%~1.62%

(13) Other payables

	December 31, 2013	December 31, 2012	January 1, 2012
Salaries and bonuses	$ 582,498	$ 525,469	$ 420,402
Investment payable	110,526	67,523	136,260
Freight payable	36,609	29,775	23,933
Others	338,023	276,284	199,449
	$ 1,067,656	$ 899,051	$ 780,044

The above 'other payables – investment payable' is the remaining unpaid balance of business combination of the Group. Details are provided in Note 6(30).

(14) Long-term loans

		December 31, 2013	
Type of loans	Period	Credit line	Amount
Syndicated loans (Mega bank and other 13 banks)	2010/7/30~2015/7/30	$ 4,200,000	$ 4,186,000
Syndicated loans (Mega bank and other 6 banks)	2013/12/18~2018/12/18	3,000,000	299,000
Less: current portion		-	(2,386,000)
		$ 7,200,000	$ 2,099,000
Range of interest rates			0.92%~2.22%

		December 31, 2012	
Type of borrowings	Period	Credit line	Amount
Syndicated loans (Mega bank and other 13 banks)	2010/7/30~2015/7/30	$ 5,400,000	$ 4,646,400
Range of interest rates			0.96%

		January 1, 2012	
Type of borrowings	Period	Credit line	Amount
Syndicated loans (Mega bank and other 13 banks)	2010/7/30~2015/7/30	$ 5,400,000	$ 4,087,800
Range of interest rates			1.05%

A. The Group has signed syndicated loan agreement for that actual drawing should reach the agreed upon credit line percentage and the lacking portion should be paid with rate of 0.1% per annum for commitment fee.

B. The loan is a revolving facility.

C. The loan is classified as long-term liabilities since the term of the loan is more than one year and the Group plans to re-finance. Under the syndicated loan agreement, the credit line decreases equally during the remaining contract period from 3 years after the date of first

drawing. Thus, the Group has reclassified the decreasing amount of credit line in the following year to 'long-term liabilities, current portion'.

D. Under the syndicated borrowing contract, the Group should remain the agreed upon current ratio, gearing ratio and interest protection multiples in accordance with calculation of annual and semi-annual consolidated financial statements during the terms of the syndicated loans. The Group's aforementioned ratios in 2013 all fulfilled the requirement in the syndicated loan agreement.

E. The Group's liquidity risk is provided in Note 12.

(15) Pensions

A. Defined benefit pension plan

(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 and its domestic subsidiaries 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, 2013	December 31, 2012	January 1, 2012
Present value of funded obligations	$ 101,636	$ 109,103	$ 87,664
Fair value of plan assets	(77,065)	(67,216)	(47,181)
Net liability in the balance sheet (shown as 'other non-current liabilities')	$ 24,571	$ 41,887	$ 40,483

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

	For the years ended December 31,	
	2013	2012
Present value of funded obligations		
At January 1	$ 109,103	$ 87,664
Addition from business combination	-	17,405
Current service cost	845	882
Interest expense	1,593	1,778
Actuarial profit and loss	(9,905)	1,374
At December 31	$ 101,636	$ 109,103

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

	For the years ended December 31,	
	2013	2012
Fair value of plan assets		
At January 1	$ 67,216	$ 47,181
Addition from business combination	-	8,836
Expected return on plan assets	983	954
Actuarial profit and loss	(170)	2,099
Employer contributions	9,036	8,146
At December 31	$ 77,065	$ 67,216

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

	For the years ended December 31,	
	2013	2012
Current service cost	$ 845	$ 882
Interest cost	1,593	1,778
Expected return on plan assets	(983)	(954)
Current pension costs	$ 1,455	$ 1,706

Details of cost and expenses recognised in the statements of comprehensive income are as follows:

	For the years ended December 31,	
	2013	2012
Selling expenses	$ 1,229	$ 1,386
General and administrative expenses	226	320
	$ 1,455	$ 1,706

(f) Amounts of acturial profit (loss) recognised under other comprehensive income are as follows:

	For the years ended December 31,	
	2013	2012
Recognition for current period	($ 9,735)	($ 725)
Accumulated amount	($ 10,460)	($ 725)

(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.

The actual returns of the Company's and its domestic subsidiaries' plan assets was $813 and $3,053 for the years ended December 31, 2013 and 2012, respectively.

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

	2013	2012	2011
Discount rate	1.7%~2%	1.2%~1.5%	1.75%
Future salary increases	3%	3%	3%
Expected return on plan assets	1.7%~2%	1.2%~1.5%	1.75%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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

	For the years ended December 31,	
	2013	2012
Present value of defined benefit obligation	($ 101,636)	($ 109,103)
Fair value of plan assets	77,065	67,216
Deficit in the plan	($ 24,571)	($ 41,887)
Experience adjustments on plan liabilities	($ 2,308)	($ 3,276)
Experience adjustments on plan assets	($ 170)	$ 2,009

(j) Expected contributions to the defined benefit pension plans of the Company and its domestic subsidiaries within one year from December 31, 2013 are $9,036.

B. Defined contribution pension plan

(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.

(b) The Company's subsidiaries in mainland have a funded defined contribution plan in accordance with the pension regulations in the People's Republic of China. These companies contribute monthly an amount based on 1%~22% of the employees' monthly salaries based on the employees' domiciles to their independent funds administered by the government. For the subsidiaries in Hong Kong, these companies and its employees each contribute monthly an amount equal to 5% of the employees' monthly salaries pursuant to the legislation in Hong Kong. Each fund is managed by the government. Except for the

monthly contribution, these companies have no other obligation.

(c) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2013 and 2012 were $114,257 and $99,350, respectively.

(16) Share-based payment

A. As of December 31, 2012, the Company's share-based payment transactions are set forth below:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	2007.12.24	5,000 Note(a)	5 years	Note (b)

Note(a): Each unit of employee stock option is entitled to 1,000 shares of common stock subscription.

Note(b): The employees may exercise the stock options in installment based on 30%, 30% and 40% of total options granted on completion of the specified years of service (two to four years) from the grant date. However, if the option holder breaches the labor contract or work rules or has poor performance review, the Company has the right to retrieve and retire his/her unexercised options.

B. For the year ended December 31, 2012, details of the employee stock option plan are as follows:

	For the year ended December 31, 2012				
Stock Options	Quantity (in thousand units)	Weighted average exercise price (in dollars)	Range of exercise price (in dollars)	Weighted average remaining vesting period	Weighted average stock price of stock options at exercise date (in dollars)
Outstanding options at January 1	1,791	$ 21.50			
Options exercised	(1,711)	20.36			$ 38.77
Options revoked	(80)	-			
Outstanding options at December 31	-	-	$ -	-	
Exercisable options at December 31	-	-			

C. The fair value of stock options granted on December 24, 2007 is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercis price	Expected price volatility	Expected vesting period	Expected dividend yield rate	Risk-free interest rate	Fair value per unit
Employee stock options	2007.12.24	$31.00	$31.00	38.99%	4.10	0.00%	2.65%	$10.70

D. As of December 31, 2012, the above-mentioned employee stock options have all been exercised or cancelled at maturity, thus, there was no outstanding stock option.

(17) Share capital

A. As of December 31, 2013, the Company's authorised capital was $5,000,000, consisting of 500,000 thousand shares of ordinary stock (including 19,000 thousand shares reserved for employee stock options), and the paid-in capital was $3,375,651 with a par value of $10 (in dollars) per share.

B. The Company issued 40,450 thousand shares on February 1, 2012 (14% of total ordinary share capital issued) to the stockholders of Techmosa International Inc. as part of the purchase consideration for 100% of its ordinary share capital. The ordinary shares issued have the same rights as other shares in issue. The fair value of the shares issued amounted to $1,781,829 ($44.05 per share).

C. Movements in the number of the Company's ordinary shares outstanding are as follows:

	2013	2012
	Shares (in thousands)	Shares (in thousands)
At January 1	337,565	288,225
New shares issued after acquisition	-	40,450
Employee stock options exercised	-	1,711
Stock dividend distribution	-	9,799
Treasury stocks retired	-	(2,620)
At December 31	337,565	337,565

D. Treasury shares

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

	Year 2012			
Reason for reacquisition	Beginning balance	Addition	Retired	Ending balance
To be reissued to employees	2,620	-	(2,620)	-

(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.

(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.

The treasury stock of 2,620 thousand shares were retired in the third quarter of 2012 since these were not reissued to the employees within three years. The excess of the sum of the par and premium on stock of treasury stock over its carrying amount was recognised as 'capital surplus – treasury stock transaction'.

(18) Capital surplus

A. Pursuant to the R.O.C. Company Law, 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.

B. The capital surplus increased from issuing new shares through share swap between the Company and Techmosa International Inc. on February 1, 2012 is provided in Note 6(30).

(19) Retained earnings

A. Based on the Company's Articles of Incorporation, the annual net income shall be used initially to cover any accumulated deficit and any remaining balance shall be distributed as follows:

(a) 10% of the balance of annual net income shall be set aside as legal reserve until the legal reserve equals contributed capital.

(b) Setting aside or reversal special reserve in accordance with applicable legal and regulatory requirment.

(c) The residual earnings are to be distributed according to the board of directors' resolution as approved by the shareholders, which shall include employees' bonuses of at least 1% and supervisors' remuneration of up to 5% of the residual earnings.

B. The Company's dividend policy is regulated by the Board of Directors taking into consideration the Company's operations, future investment plans, capital budget and internal/external situations. As the Company is in the growth stage, most of retained earnings will be used to support business development and investment requirements and consequently, the minimum cash dividend policy is adopted by the Company. Additional cash dividends may be appropriated as resolved by the Board of Directors and approved by stockholders. The Company's dividend policy is summarised below:

At least 40% of the Company's earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed. In the event the total earnings appropriation exceeds 30% of the Company's paid-in capital before appropriation, cash dividends shall account for at least 20% 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. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. According to the resolutions adopted by the stockholders during their meetings in June 2013 and 2012, the distribution information of the Company's 2012 and 2011 earnings is as follows:

	2012		2011	
	Amount	Dividends per share	Amount	Dividends per share
Legal reserve	$ 107,657	$ -	$ 144,042	$ -
Cash dividends	708,886	2.1	881,931	2.7
Stock dividends	-	-	97,992	0.3
Total	$ 816,543		$ 1,123,965	

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. As of March 17, 2014, the appropriation of 2013 earnings had not been resolved by the Board of Directors.

F. For the years ended December 31, 2013 and 2012, employees' bonus was accrued at $11,700 and $9,500, respectively; directors' and supervisors' remuneration was accrued at $10,000 and $10,000, respectively. 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.

(20) Other equity items

	Available-for-sale investment	Currency translation	Total
At January 1, 2013	$ 320,557	($ 476,010)	($ 155,453)
Unrealized gain on valuation of equity instruments	750,870	-	750,870
Currency translation differences:			
– Group	-	226,866	226,866
– Associates	-	(139)	(139)
At December 31, 2013	$ 1,071,427	($ 249,283)	$ 822,144

	Available-for-sale investment	Currency translation	Total
At January 1, 2012	$ 3,074	($ 219,247)	($ 216,173)
Unrealized gain on valuation of equity instruments	317,483	-	317,483
Currency translation differences:			
– Group	-	(257,013)	(257,013)
– Associates	-	250	250
At December 31, 2012	$ 320,557	($ 476,010)	($ 155,453)

(21) Non-controlling interests

	For the years ended December 31,	
	2013	2012
At January 1	$ 4,955	$ 6,843
Share attributable to non-controlling interest:		
Profit for the year	18	806
Currency translation differences	(87)	(1)
Decrease in non-controlling interests	(4,324)	(2,693)
At December 31	$ 562	$ 4,955

(22) Operating revenue

	For the years ended December 31,	
	2013	2012
Sale of electronic components	$ 89,040,808	$ 81,437,885
Other operating revenue	125,824	118,171
Less: Sales returns	(418,453)	(435,686)
Sales discounts	(989,048)	(769,091)
Total	$ 87,759,131	$ 80,351,279

(23) Other income

	For the years ended December 31,	
	2013	2012
Rent revenue	$ 3,985	$ 4,608
Interest income	5,004	7,651
Investment income from the excess of carrying amount over the capital reduction of financial assets carried at cost	8,983	-
Other income	23,252	15,435
Total	$ 41,224	$ 27,694

(24) Other gains and losses

	For the years ended December 31,	
	2013	2012
Foreign exchange gains, net	$ 85,772	$ 26,330
Gains on disposal of investment	39,445	15,280
Impairment loss	-	(25,096)
Other losses	(5,854)	(5,018)
Total	$ 119,363	$ 11,496

(25) Finance costs

	For the years ended December 31,	
	2013	2012
Bank borrowings interest expense	$ 123,714	$ 110,494
Financing charges of accounts receivable factoring	124,624	122,875
Other finance costs	19,682	24,326
Total	$ 268,020	$ 257,695

(26) Expenses by nature

	For the years ended December 31,	
	2013	2012
Employee benefit expense	$ 2,065,108	$ 1,921,262
Depreciation	50,826	46,720
Amortization	32,312	56,072
Total	$ 2,148,246	$ 2,024,054

(27) Employee benefit expense

	For the years ended December 31,	
	2013	2012
Wages and salaries	$ 1,754,420	$ 1,642,622
Labor and health insurance fees	67,971	57,863
Pension costs	115,712	101,056
Other personnel expenses	127,005	119,724
Total	$ 2,065,108	$ 1,921,265

(28) 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 period	$ 282,607	$ 280,046
Adjustments in respect of prior years	19,662	(2,907)
Effect of change in consolidated entities	-	(1,267)
Deferred tax:		
Origination and reversal of temporary differences	34,801	(8,803)
Effect of exchange rate	(997)	811
Income tax expense	$ 336,073	$ 267,880

(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 losses on defined benefit obligations	($ 1,655)	($ 123)

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	$ 403,617	$ 335,026
Effects from items disallowed by tax regulation	(117,421)	(104,425)
Effect from investment tax credit	(737)	-
Effect from net operating loss carryforward	(1,411)	(1,957)
Additional 10% tax on undistributed earnings	32,363	42,143
Prior year income tax (over) underestimate	19,662	(2,907)
Tax expense	$ 336,073	$ 267,880

C.Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows：

	For the year ended December 31, 2013					
	January 1	Increase from business combination	Recognised in profit or loss	Recognised in other comprehensive income	Effect of exchange rate	December 31
Deferred tax assets:						
Allowance for sales returns and discounts	$ 87,138	$ -	$ 15,528	$ -	$ -	$102,666
Allowance for doubtful account	6,141	-	177	-	106	6,424
Reserve for inventory obsolescence and market price decline	138,078	-	7,399	-	18	145,495
Unrealized exchange losses	7,420	-	(6,588)	-	1	833
Others	11,709	-	1,295	(1,653)	211	11,562
	$250,486	$ -	$ 17,811	($ 1,653)	$ 336	$266,980
Deferred tax liabilities:						
Foreign investment income using equity method	($ 67,686)	$ -	($ 44,637)	$ -	$ -	($112,323)
Others	(833)	-	(7,975)	(2)	(31)	(8,841)
	($ 68,519)	-	($ 52,612)	($ 2)	($ 31)	($121,164)

	For the year ended December 31, 2012					
	January 1	Increase from business combination	Recognised in profit or loss	Recognised in other comprehensive income	Effect of exchange rate	December 31
Deferred tax assets:						
Allowance for sales returns and discounts	$ 81,425	$ -	$ 5,713	$ -	$ -	$ 87,138
Allowance for doubtful account	4,468	-	1,647	-	26	6,141
Reserve for inventory obsolescence and market price decline	111,544	6,857	19,673	-	4	138,078
Unrealized exchange losses	1,522	-	5,896	-	2	7,420
Others	13,424	2,141	(3,793)	(123)	60	11,709
	$212,383	$ 8,998	$ 29,136	($ 123)	$ 92	$250,486
Deferred tax liabilities:						
Foreign investment income using equity method	($ 44,019)	($ 2,937)	($ 20,730)	$ -	$ -	($ 67,686)
Others	-	(1,205)	397	-	(25)	(833)
	($ 44,019)	($ 4,142)	($ 20,333)	$ -	($ 25)	($ 68,519)

D.The expiration dates of unused loss carryforward and amounts of unrecognised deferred tax assets of the Company's subsidiary, AboveE Technology Inc., are as follows:

December 31, 2013				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2006	Assessed	$ 12,558	$ 12,558	2016
2007	Assessed	25,854	25,854	2017
2008	Assessed	3,750	3,750	2018
		$ 42,162	$ 42,162	

December 31, 2012				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2005	Assessed	$ 1,247	$ 1,247	2015
2006	Assessed	19,545	19,545	2016
2007	Assessed	25,854	25,854	2017
2008	Assessed	3,750	3,750	2018
		$ 50,396	$ 50,396	

January 1, 2012				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2005	Assessed	$ 12,783	$ 12,783	2015
2006	Assessed	19,545	19,545	2016
2007	Assessed	25,854	25,854	2017
2008	Assessed	3,750	3,750	2018
		$ 61,932	$ 61,932	

E. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Deductible temporary differences	$ 56,869	$ 86,847	$ 82,691

F. The Company has assessed that the taxable temporary difference arising on investments in subsidiaries will not reverse in the foreseeable future, the Company did not recognise the full amount as deferred tax liabilities. As of December 31, 2013, December 31, 2012 and January 1, 2012, the temporary differences of unrecognised deferred tax liabilities were $3,397,737, $2,283,739 and $1,860,739, respectively.

G. The Company's subsidiary, Morrihan International Corp., has recognised loss on disposal of property of $57,753 on corporate income tax return in 2011. However, the Tax Authority has different conclusion in assessing the selling prices of land and building, which affected income tax by $9,818 and business tax by $2,888. Morrihan International Corp. disagreed with the assessment and planned to file for administrative litigation and has estimated appropriate income tax liabilities in the financial statements.

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

I. There was no unappropriated earning generated before January 1, 1998.

J. As of December 31, 2013, December 31, 2012 and January 1, 2012, the balance of the imputation tax credit account was $245,422, $133,765 and $127,661, respectively. The creditable tax rate was 18.50% for 2012 and is estimated to be 13.95% for 2013.

(29) Earnings per share

	For the year ended December 31, 2013		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 1,304,342	337,565	$ 3.86
Diluted earnings per share			
Profit attributable to the parent	1,304,342	337,565	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' bonus	-	496	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,304,342	338,061	$ 3.86

	For the year ended December 31, 2012		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 1,078,920	333,166	$ 3.24
Diluted earnings per share			
Profit attributable to the parent	1,078,920	333,166	
Assumed conversion of all dilutive potential ordinary shares:			
Employee stock options	-	453	
Employees' bonus	-	296	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,078,920	333,915	$ 3.23

(30) Business combinations

A. Acquisition of all shares of MSD Holdings Pte. Ltd.

(a) The Company's Board of Directors has adopted a resolution to acquire all shares of MSD Holdings Pte. Ltd. ("MSD") by cash in December 2012. MSD mainly operates in Republic of Korea ("Korea") and is engaged in the sales, importing and exporting of integrated circuits and other electronic components for automobiles. The purpose to consolidate is to enhance customer basis in Korea and expand the field of automobile electronic components. The settlement date was February 7, 2013.

(b) The price that the Company needed to pay includes contingent consideration under the share purchase agreement. If the acquiree's profit of 2013 reached the goal set in the

contract, the exceeding amount would be calculated as extra consideration under the contract and should be paid by cash.

The total estimated consideration was US$7,308 thousand, which included fair value of contingent consideration of US$2,500 thousand. As of December 31, 2012, the Company has paid $51,913 (equivalent to US$1,782 thousand, shown as 'other non-current assets'). As of December 31, 2013, the unpaid balance was $43,251 (equivalent to US$1,447 thousand, shown as 'other payables').

(c) The following table summarises the consideration paid for MSD and the fair values of the net assets acquired at the acquisition date:

Purchase consideration-equity instruments	$ 215,559
Fair value of the identifiable net assets	(77,667)
Goodwill	$ 137,892

(d) The operating revenue and profit before tax included in the consolidated statement of comprehensive income since February 7, 2013 contributed by MSD were $53,405 and $9,561, respectively. Had MSD been consolidated from January 1, 2013, the consolidate statement of comprehensive income would show operating revenue of $87,807,177 and profit before income tax of $1,648,615.

B. Acquisition of Techmosa International Inc. and its subsidiaries:

(a) In accordance with the resolution adopted by the stockholders during the special meeting in November, 2011, the Company decided to acquire all shares of Techmosa International Inc. (Techmosa) by way of shares swap transaction. Conversion ratio is 0.547 share of the Company's common stock to 1 share of Techmosa common stock. Pursuant to approval by the Financial Supervisory Commission, Executive Yuan, R.O.C, the shares swap transaction and capital increase date was effective on February 1, 2012. Pursuant to the shares swap contract, the Company issued 40,450,000 shares of new stock to acquire all shares of Techmosa. The fair value of the new stock issued was $1,781,829 based on the published share price of the Company on February 1, 2012.

(b) Techmosa was established in 1989. Techmosa engages mainly in the sales of integrated circuits and other electronic components. The purpose for acquisition was to integrate resources and expand operating scales to improve the diversity of the Group's product and customer services.

(c) No contingent prices, stock warrants, commitment or significant asset disposal decisions came along with this shares swap transaction.

(d) The relevant information of the acquisition cost and the fair value of the net assets acquired at the acquisition date is set forth below:

Issuance of common stock	$ 404,502
Paid-in capital in excess of par value of common stock	1,377,327
Acquisition cost - Equity instruments	1,781,829
Fair value of the identifiable net assets acquired	(1,266,237)
Goodwill	$ 515,592

The abovementioned identifiable net assets incurred from business combination was adjusted in the fourth quarter of 2012 in accordance with allocation of acquisition price,

and goodwill was correspondingly decreased by $53,652.

(e) The operating revenue and profit before income tax included in the consolidated statement of comprehensive income since February 1, 2012 contributed by Techmosa were $6,933,806 and $275,723, respectively. Had Techmosa been consolidated from January 1, 2012, the consolidated statement of comprehensive income would show operating revenue of $80,920,973 and profit before income tax of $1,355,064.

C. Acquisition of the semiconductor parts distributing business of Segyung Britestone Co., Ltd. (Britestone):

(a) In order to increase amount of distributing products, expand customers base in Mainland China and upgrade the overall management performance, the Company signed the business transfer agreement with Britestone on October 15, 2012 and acquired the semiconductor parts distributing business in the amount of USD $210 thousand. The business acquisition date was November 30, 2012.

(b) Britestone engages mainly in the sales of integrated circuits and other electronic components, and the main operating area is Korea.

(c) No contingent prices and commitment came along with this business transfer agreement.

(d) The relevant information is set forth below:

Acquisition cost - cash	$	6,134
Less: Fair value of the identifiable net assets acquired		-
Goodwill	$	6,134

D. Acquisition of the semiconductor parts distributing business of Kei Kong Electronics Ltd. (Kei Kong):

The Company signed the business transfer agreement with Kei Kong on October 18, 2011 and acquired the semiconductor parts distributing business in the amount of USD $7,514 thousand which was net of deductible expenses prescribed by the contract. The business acquisition date was November 1, 2011. The goodwill arising from the excess of acquisition cost over the fair value of the identifiable net assets of the acquired business is $227,411. As of December 31, 2013, the related payable amounted to $67,275 (equivalent to USD $2,250 thousand, shown as “other payables”).

(31) Supplementary for cash flow

Fair value of assets and liabilities acquired during business combination is as follows:

	For the years ended December 31,	
	2013	2012
Current assets	$ 141,281	$ 3,128,544
Property, plant and equipment	19	4,026
Investment property	-	100,835
Goodwill	137,892	521,726
Other assets	143	15,177
Current liabilities	(63,776)	(1,197,956)
Long-term loans	-	(771,635)
Other non-current liabilities	-	(12,754)
Proceeds from acquisition of business and subsidiary	215,559	1,787,963
Add: Payables at beginning of the year	65,340	136,260
Less: Issuance of common stock through merger	-	(1,781,829)
Less: Beginning prepayment for investment	(51,913)	-
Less: Adjustment of acquisition costs	-	(42,030)
Payables at end of the year	(110,526)	(65,340)
Cash of subsidiary	(83,192)	(405,871)
Foreign exchange loss (gain)	2,626	(2,943)
Net cash paid in (acquired) acquisition of business and subsidiary	$ 37,894	($ 373,790)

7. RELATED-PARTY TRANSACTIONS

(1) Significant related party transactions

The related parties who traded with the Company were included in the consolidated financial statements. Transactions among the Company and its subsidiaries were eliminated. There was no significant transaction between the Group and its affiliates.

(2) Key management compensation

	For the years ended December 31,	
	2013	2012
Salaries and other short-term employee	$ 59,303	$ 54,394
Directors' and supervisors' remuneration	10,000	10,000
Post-employment benefits	595	426
Total	$ 69,898	$ 64,820

8. PLEDGED ASSETS

The summary of the carrying amount of the Group's assets pledged as collateral are as follows:

		Book value		
Pledged asset	Purpose	December 31, 2013	December 31, 2012	January 1, 2012
Other current assets:				
Time deposits	Guarantee for credit of banks' borrowing	$ -	$ -	$ 7,848
	Security for business credit card	2,267	6,760	-
	Security for tax proceeding	-	4,121	-
		$ 2,267	$ 10,881	$ 7,848

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

Contingent consideration arising from business combination is provided in Note 6(30).

(2) Commitments

A. Operating lease commitments

Most of the Group's operating leases for renting offices and warehouses can be renewed at market price at the end of the leasing period. The total minimum future lease payments are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than one year	$ 119,778	$ 159,033	$ 103,483
Later than one year but not later than five years	130,051	98,891	109,673
Total	$ 249,829	$ 257,924	$ 213,156

B. Outstading letters of credit

The amounts of outstading letters of credit for purchase of inventories by the Group ars as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Outstading letters of credit	$ 2,312,254	$ 1,684,667	$ 782,435

C. Guarantee for custom duties

The total guarantee for customs duties is as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Customs duties guarantee	$ 15,000	$ 17,000	$ 7,000

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, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as 'total liabilities' in the consolidated balance sheet less cash and cash equivalents. Total equity is calculated as the 'equity' in the consolidated balance sheet.

During 2013, the Group's strategy, which was unchanged from 2012, was to maintain the debt to equity ratio below 250%. The debt to equity ratios at December 31, 2013, December 31, 2012 and January 1, 2012 were 168%, 181% and 162%, respectively.

(2) Financial instruments

A. Fair value information of financial instruments

	December 31, 2013	
	Book value	Fair value
Financial assets:		
Financial assets with fair values equal to book values	$ 18,906,329	$ 18,906,329
Financial assets carried at cost	78,385	
	$ 18,984,714	
Financial liabilities:		
Financial liabilities with fair values equal to book values	$ 19,727,383	$ 19,727,383
Long-term loans	2,099,000	2,099,000
	$ 21,826,383	$ 21,826,383

	December 31, 2012	
	Book value	Fair value
Financial assets:		
Financial assets with fair values equal to book values	$ 16,650,019	$ 16,650,019
Financial assets carried at cost	98,405	
	$ 16,748,424	
Financial liabilities:		
Financial liabilities with fair values equal to book values	$ 15,856,395	$ 15,856,395
Long-term loans	4,646,400	4,646,400
	$ 20,502,795	$ 20,502,795

	January 1, 2012	
	Book value	Fair value
Financial assets:		
Financial assets with fair values equal to book values	$ 10,885,877	$ 10,885,877
Financial assets carried at cost	287,138	
	$ 11,173,015	
Financial liabilities:		
Financial liabilities with fair values equal to book values	$ 10,844,249	$ 10,844,249
Long-term loans	4,087,800	4,087,800
	$ 14,932,049	$ 14,932,049

The financial assets with fair value that equals to carrying amount include cash and cash equivalents, available-for-sale financial assets, accounts receivable, other receivables and other current assets, The financial liabilities with fair value that equals to carrying amount include short-term borrowings, accounts payable, other payables and long-term liabilities, current portion.

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 co-operation 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

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. 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 recognized assets and liabilities, the Group use equivalent asset and liability positions denominated in foreign currencies and equivalent receipt and payment period to reach natural hedge. 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.

iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other subsidiaries' functional currency: USD). 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)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$ 413,588	29.90	$12,366,281	1%	$ 123,663
Non-monetary items					
USD:NTD	38,958	29.90	1,164,846		
Foreign operations					
USD:NTD	242,084	29.90	7,364,852		
Financial liabilities					
Monetary items					
USD:NTD	411,689	29.90	12,309,501	1%	123,095

	December 31, 2012				
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$ 388,419	29.04	$11,279,688	1%	$ 112,797
Non-monetary items					
USD:NTD	13,932	29.04	404,597		
Foreign operations					
USD:NTD	198,395	29.04	5,761,391		
Financial liabilities					
Monetary items					
USD:NTD	385,806	29.04	11,203,806	1%	112,038

	January 1, 2012				
				Sensitivity analysis	
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$ 238,529	30.28	$ 7,222,658	1%	$ 72,227
Foreign operations					
USD:NTD	172,424	30.28	5,220,999		
Financial liabilities					
Monetary items					
USD:NTD	243,153	30.28	7,362,673	1%	73,627

Price risk

i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale. 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.

ii. The Group's investments in equity securities comprise listed 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/decreased by 1% with all other variables held constant, other components of equity for the years ended December 31, 2013 and 2012 would have increased/decreased by $11,797 and $4,188, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

i. The Group's interest rate risk arises from bank borrowings and advance payments for accounts receivable factored. Borrowings and advanced payment for factoring 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. During the years ended December 31, 2013 and 2012, the Group's borrowings at variable rate were denominated in the USD.

ii. 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.

iii. Based on the simulations performed, the impact on profit before tax of a quarter (25 basis point) shift would be a maximum increase or decrease of $27,725 and $28,036 for the years ended December 31, 2013 and 2012, respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is

within the limit given by the management.

(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 and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Because the counterparties of the Group and performing parties are banks with good credit and financial institutions and government organisations with investment grade or above have no significant compliance concern, there is no significant credit risk.

ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. The credit quality of notes and accounts receivable that were neither past due nor impaired was in the following categories based on the Group's credit quality control policy:

	December 31, 2013	December 31, 2012	January 1, 2012
Group A	$ 3,180,624	$ 3,543,811	$ 2,071,712
Group B	717,830	1,299,042	1,049,070
Group C	4,047,362	2,867,131	2,320,296
Group D	1,092,779	831,372	824,766
	$ 9,038,595	$ 8,541,356	$ 6,265,844

Group A: Customers with excellent credit ranking

Group B: Customers with fine credit ranking

Group C: Customers with normal credit ranking

Group D: Customers with warning signs

iv. The ageing analysis of notes and accounts receivable that were past due but not impaired are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Up to 30 days	$ 1,852,458	$ 1,610,510	$ 1,450,026
31 to 180 days	660,464	348,375	612,593
181 to 365 days	19,065	13,797	23,993
Over 366 days	2,520	44,091	5,200
	$ 2,534,507	$ 2,016,773	$ 2,091,812

v. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Group's accounts receivable that were impaired amounted to $249,100, $199,780 and $189,937, respectively.

Movements in allowance for individual provision for doubtful accounts were as follows:

	2013	2012
At January 1	$ 199,780	$ 189,937
Provision for doubtful accounts	44,911	6,156
Effect of changes in exchange rate	4,409	3,687
At December 31	$ 249,100	$ 199,780

(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 borrowing facilities (Note 6(14)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internally assessed financial ratio targets and, if applicable external regulatory or legal requirements.

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, and expects to readily generate cash inflows for managing liquidity risk.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled 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:

December 31, 2013	Less than 180 days	Between 180 days and 1 years	Between 1 year and 2 years	Between 2 and 5 years	Total
Short-term borrowings	$ 5,566,033	$ -	$ -	$ -	$ 5,566,033
Accounts payable	10,707,694	-	-	-	10,707,694
Other payables	1,067,194	462	-	-	1,067,656
Long-term loans	1,186,000	1,200,000	1,800,000	299,000	4,485,000
	$18,526,921	$1,200,462	$1,800,000	$ 299,000	$21,826,383

Non-derivative financial liabilities:

December 31, 2012

	Less than 180 days	Between 180 days and 1 years	Between 1 year and 2 years	Between 2 and 5 years	Total
Short-term borrowings	$ 4,753,762	$ -	$ -	$ -	$ 4,753,762
Accounts payable	10,203,582	-	-	-	10,203,582
Other payables	898,599	452	-	-	899,051
Long-term loans	-	-	2,846,400	1,800,000	4,646,400
	$15,855,943	$ 452	$ 2,846,400	$1,800,000	$20,502,795

Non-derivative financial liabilities:

January 1, 2012

	Less than 180 days	Between 180 days and 1 years	Between 1 year and 2 years	Between 2 and 5 years	Total
Short-term borrowings	$ 2,206,312	$ -	$ -	$ -	$ 2,206,312
Accounts payable	7,857,893	-	-	-	7,857,893
Other payables	779,997	47	-	-	780,044
Long-term loans	-	-	-	4,087,800	4,087,800
	$10,844,202	$ 47	$ -	$4,087,800	$14,932,049

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value estimation

The balance of financial assets measured at fair value was $1,179,694, $418,819 and $28,376 as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively. The financial assets were all belong to Level 1 (quoted prices in active markets for identical assets) financial instruments (shown as ‘available-for-sale financial assets – current’).

13. SEGMENT INFORMATION

(1) General information

The Group is engaged in the development and sales of electronic and communication components. The chief operating decision-maker considered the business and determined to separate segments from a perspective of sales region, which are mainly divided into Greater China, South Asia and North Asia. The Group has identified the Greater China shall be a reportable operating segment, and for other segments which have not met the quantitative threshold are not disclosed individually.

The Group’s operating segment information is prepared in accordance with the Group’s accounting policies. The chief operating decision-maker allocates resources and assesses performance of the operating segments primarily based on the operating revenue and profit (loss)

before tax and discontinued operations of individual operating segment.

(2) Financial information of reportable segment

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

	Greater China Region	
	2013	2012
Revenue from external customers	$ 78,678,616	$ 71,315,893
Segment income	$ 1,558,825	$ 1,119,536
Segment assets (Note)	$ -	$ -

Note: The chief operating decision-maker does not use the measured amount of the assets as a measurement indicator; therefore, the measured amount of the Group's assets shall be disclosed as zero.

(3) Reconciliation information of reportable segment revenue and income

The reconciliations of a pre-tax income between reportable segments and continuing operation were as follows:

Operating revenue	2013	2012
Total reported segment revenue	$ 78,678,616	$ 71,315,893
Other operating segment revenue	9,080,515	9,035,386
Total operating revenue	$ 87,759,131	$ 80,351,279

Profit and loss	2013	2012
Income of reported segment	$ 1,558,825	$ 1,119,536
Income of other operating segments	81,608	228,070
Income before income tax	$ 1,640,433	$ 1,347,606

(4) Revenue information by category

	For the years ended December 31,			
	2013		2012	
	Amount	%	Amount	%
Analog IC	$ 29,347,602	33	$ 20,654,186	26
Application-Specific IC	8,843,520	10	14,034,104	17
Discrete Devices	8,448,270	10	9,654,521	12
Others	41,119,739	47	36,008,468	45
	$ 87,759,131	100	$ 80,351,279	100

(5) Revenue information by geographic area

Geographical information for the years ended December 31, 2013 and 2012 were as follows:

	For the years ended December 31,			
	2013		2012	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$14,352,042	$ 1,880,097	$12,892,604	$ 1,493,194
China	58,554,079	16,143	54,255,006	14,414
Others	14,853,010	536,528	13,203,669	744,046
Total	$87,759,131	$ 2,432,768	$80,351,279	$ 2,251,654

The above revenue by geographic area is calculated based on sales to external customers at the location where payments are collected.

(6) Major customers' information

In 2013 and 2012, there were no customers which represent over 10% of net operating revenue.

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 recognise 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.

(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. The Group's initial application of IFRSs has no significant effect on cash flows from operating activities, investing activities and financing activities. 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
Assets				
Cash and cash equivalents	$ 1,268,257	$ -	$ 1,268,257	
Available-for-sale financial assets - current	28,376	-	28,376	
Accounts receivable, net	8,357,656	-	8,357,656	
Other receivables	1,223,740	-	1,223,740	
Inventory	10,262,695	-	10,262,695	
Prepayments	298,777	-	298,777	
Deferred income tax assets- current	199,152	(199,152)	-	(E)
Other current assets	7,848	-	7,848	
Total current assets	21,646,501	(199,152)	21,447,349	
Financial assets carried at cost – non-current	287,138	-	287,138	
Investments accounted for under equity method	34,811	-	34,811	
Property, plant and equipment	631,823	-	631,823	
Investment property, net	-	9,761	9,761	(A)
Intangible assets	1,097,025	-	1,097,025	
Deferred pension costs	260	(260)	-	(B)
Deferred income tax assets	-	212,383	212,383	(E)
Assets leased to others	9,761	(9,761)	-	(A)
Other non-current assets	156,053	-	156,053	
Total non-current assets	2,216,871	212,123	2,428,994	
Total assets	$ 23,863,372	$ 12,971	$ 23,876,343	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Liabilities and equity				
Short-term borrowings	$ 2,206,312	$ -	$ 2,206,312	
Accounts payable	7,857,893	-	7,857,893	
Other payables	764,647	15,397	780,044	(C)
Current income tax liabilities	120,274	-	120,274	
Other current liabilities	117,793	-	117,793	
Total current liabilities	11,066,919	15,397	11,082,316	
Long-term loans	4,087,800	-	4,087,800	
Deferred income tax liabilities	38,245	5,774	44,019	(E)
Other non-current liabilities	18,312	25,721	44,033	(B)
Total non-current liabilities	4,144,357	31,495	4,175,852	
Total liabilities	15,211,276	46,892	15,258,168	
Share capital – common stock	2,882,247	-	2,882,247	
Capital surplus – additional paid-in capital	3,382,142	-	3,382,142	
Capital surplus – treasury stock transactions	22,622	-	22,622	
Capital surplus – changes in equity of associates and joint ventures accounted for using equity method	6,573	(6,573)	-	(D)
Retained earnings	2,614,785	(27,348)	2,587,437	(B)(C)(D)(E)
Financial statements translation differences of foreign perations	(219,247)	-	(219,247)	
Unrealized gain (loss) on available-for-sale financial assets	3,074	-	3,074	
Treasury stocks	(46,943)	-	(46,943)	
Non-controlling interest	6,843	-	6,843	
Total equity	8,652,096	(33,921)	8,618,175	
Total liabilities and equity	$ 23,863,372	$ 12,971	$ 23,876,343	

B. Reconciliation for equity on December 31, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Assets				
Cash and cash equivalents	$ 1,612,808	$ -	$ 1,612,808	
Available-for-sale financial assets – current	418,819	-	418,819	
Accounts receivable, net	10,558,129	-	10,558,129	
Other receivables	4,049,382	-	4,049,382	
Inventory	11,896,230	-	11,896,230	
Prepayments	300,106	(1,351)	298,755	(B)
Deferred income tax assets-current	240,589	(240,589)	-	(E)
Other current assets	10,881	-	10,881	
Total current assets	29,086,944	(241,940)	28,845,004	
Financial assets carried at cost – non-current	98,405	-	98,405	
Investments accounted for under equity method	45,728	-	45,728	
Property, plant and equipment	608,659	-	608,659	
Investment property, net	-	109,826	109,826	(A)
Intangible assets	1,607,739	(110,691)	1,497,048	(F)
Deferred pension costs	2,323	(2,323)	-	(B)(F)
Deferred income tax assets	-	250,486	250,486	(E)(F)
Assets leased to others	109,826	(109,826)	-	(A)
Other non-current assets	217,387	-	217,387	
Total non-current assets	2,690,067	137,472	2,827,539	
Total assets	$ 31,777,011	($ 104,468)	$ 31,672,543	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Liabilities and equity				
Short-term borrowings	$ 4,753,762	$ -	$ 4,753,762	
Accounts payable	10,203,582	-	10,203,582	
Other payables	882,043	17,008	899,051	(C)(F)
Current income tax liabilities	231,391	-	231,391	
Other current liabilities	129,434	-	129,434	
Total current liabilities	16,200,212	17,008	16,217,220	
Long-term loans	4,646,400	-	4,646,400	
Deferred income tax liabilities	67,651	868	68,519	(E)
Other non-current liabilities	21,247	28,409	49,656	(B)(F)
Total non-current liabilities	4,735,298	29,277	4,764,575	
Total liabilities	20,935,510	46,285	20,981,795	
Share capital – common stock	3,375,651	-	3,375,651	
Capital surplus – additional paid-in capital	4,855,237	(116,901)	4,738,336	(F)
Capital surplus – treasury stock transactions	40,742	-	40,742	
Capital surplus –changes in equity of associates and joint ventures accounted for using equity method	6,054	(6,054)	-	(D)
Retained earnings	2,711,438	(24,921)	2,686,517	(B)(C)(D)(E)
Financial statements translation differences of foreign perations	(476,010)	-	(476,010)	
Net loss not recognized as pension cost	2,877	(2,877)	-	(B)
Unrealized gain (loss) on available-for-sale financial assets	320,557	-	320,557	
Non-controlling interest	4,955	-	4,955	
Total equity	10,841,501	(150,753)	10,690,748	
Total liabilities and equity	$ 31,777,011	($ 104,468)	$ 31,672,543	

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

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Operating revenue	$ 80,351,279	$ -	$ 80,351,279	
Operating costs	(75,684,124)	-	(75,684,124)	
Net operating margin	4,667,155	-	4,667,155	
Operating expenses				(B)(C)
Selling expenses	(2,207,163)	1,992	(2,205,171)	
General and administrative expenses	(607,478)	548	(606,930)	
Research and development expenses	(276,544)	250	(276,294)	
Operating profit	1,575,970	2,790	1,578,760	
Non-operating revenue and expenses				
Other income	27,694	-	27,694	
Other gains and losses	11,496	-	11,496	
Finance costs	(257,695)	-	(257,695)	
Share of loss of associates and joint ventures accounted for using equity method	(12,649)	-	(12,649)	
Profit before income tax	1,344,816	2,790	1,347,606	
Income tax expense	(267,434)	(446)	(267,880)	(E)
Profit for the year	$ 1,077,382	$ 2,344	$ 1,079,726	
Other comprehensive income				
Financial statements translation differences of foreign operations			(257,014)	
Unrealized gain on valuation of available-for-sale financial assets			317,483	
Actuarial gain on defined benefit plan			725	(B)
Share of other comprehensive income of associates and joint ventures accounted for using equity method			250	
Income tax relating to the components of other comprehensive income			(123)	(E)
Total other comprehensive income for the year, net of tax			61,321	
Total comprehensive income for the year			$ 1,141,047	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Profit, attributable to:				
Owners of the parent			$ 1,078,920	
Non-controlling interest			806	
			$ 1,079,726	
Comprehensive income attributable to:				
Owners of the parent			1,140,242	
Non-controlling interest			805	
			$ 1,141,047	

Description of the reconciliation of significant differences are outlined below:

Item	Explanation	Account	Increase (Decrease) At transition date	Increase (Decrease) December 31, 2012
(A)	Investment property In accordance with current accounting standards in R.O.C. GAAP, the Group's property that was leased to others was presented as 'Other assets'. In accordance with IAS 40, "Investment Property", property that meets the definition of investment property is classified and accounted for as 'Investment property'.	Investment property	$ 9,761	$ 109,826
		Asset leased to others	(9,761)	(109,826)
(B)	Pensions (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 on high quality corporate bonds that match the currency at the end day of the reporting period and duration of its pension plan; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end day of the reporting period) instead.	Retained earnings	(25,981)	(25,256)
		Accrued pension liabilities	25,721	24,595
		Deferred pension costs	(260)	(247)
		Pension costs	-	(1,940)
		Prepayments	-	(1,351)
		Net loss not recognized as pension cost	-	(2,877)
	(ii)In accordance with the Group'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 Group as the first-time adopter of IFRSs, so the Group has no unrecognised transitional liabilities.			
	(iii)In accordance with current accounting standards in R.O.C. GAAP, the excess of the accumulated benefit obligation over the fair value of the pension plan (fund) assets at the balance sheet date is the minimum amount of pension liability that is required to be recognised on the balance sheet ("minimum pension liability"). However, IAS 19, 'Employee Benefits', has no regulation regarding the minimum pension liability.			
	(iv)In accordance with current accounting standards in R.O.C. GAAP, actuarial pension gain or loss of the Group is recognised in net pension cost of current period using the 'corridor' method. However, in accordance with IAS 19, 'Employee Benefits', the Group selects to recognise immediately actuarial pension gain or loss in other comprehensive income.			

Item	Explanation	Account	Increase (Decrease)	
			At transition date	December 31, 2012
(C)	Employee benefits			
	The current accounting standards in R.O.C GAAP. do not specify the rules on the cost recognition for accumulated unused compensated absences. The Group recognises such cost as expense upon actual payment. However, IAS 19, "Employee Benefits", requires that costs of accumulated unused compensated absences should be accrued as expense at the end of the reporting period.	Retained earnings	($ 15,397)	($ 15,397)
		Other payables	15,397	14,547
		Payroll expense	-	(850)
(D)	Capital reserve from long-term investments			
	The Company has elected not to apply the requirements in IFRS 3, "Business Combinations", retrospectively to business combinations and investments in associates that occurred prior to the date of transition to IFRSs, and has adjusted the retained earings on the date of transition to IFRSs for the capital surplus under ROC GAAP that did not meet the regulations of IFRSs.	Capital surplus – changes in equity of associates and joint ventures accounted for using equity method	(6,573)	(6,054)
		Retained earnings	6,573	6,054
(E)	Income taxes			
	(i)In accordance with current accounting standards in R.O.C. GAAP, a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or non-current. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting, should be classified as current or non-current according to the expected time period to realise or settle a deferred tax asset or liability. However, under IAS 1, "Presentation of Financial Statements", an entity should not classify a deferred tax asset or liability as current.	Deferred income tax assets - non-current	212,383	248,345
		Deferred income tax assets-current	(199,152)	(240,589)
		Deferred income tax liability-non-current	5,774	868
		Retained earnings	7,457	7,334
		Income tax expense	-	446
	(ii)The effects of deferred income tax are the difference between calculation under IFRSs and R.O.C. GAAP.			

Item	Explanation	Account	Increase (Decrease) At transition date	Increase (Decrease) December 31, 2012
(F)	Business Combinations			
	(i)The measurement date for the equity stock issued in a business combination is the announcement date of the combination agreement in accordance with current accounting stardards in R.O.C GAAP. but is the acquisition date in accordance with IFRS 3, "Business Combinations".	Goodwill	$ -	($ 110,691)
		Capital surplus – Additional paid-in capital	-	(116,901)
		Deferred income tax assets – non-current	-	2,141
	(ii)The differences of the Company's subsidiary's identifiable net asset between calculation under IFRSs and R.O.C GAAP at the acquisition date.	Deferred pension cost	-	(2,076)
		Accrued pension liabilities	-	3,814
		Other payables	-	2,461

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.