

# **Syscom Computer Engineering Co.**

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

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Syscom Computer Engineering Co.

We have audited the accompanying balance sheets of Syscom Computer Engineering Co. ("the Corporation") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, we did not audit the financial statements of some investees accounted for by the equity method. As of December 31, 2013, December 31, 2012 and January 1, 2012, these equity-method investments were 6.98% (\$214,965 thousand), 6.88% (\$204,078 thousand) and 7.30% (NT\$189,090 thousand) of the Corporation's total assets, respectively. As of December 31, 2013, December 31, 2012 and January 1, 2012, the long-term investment with credit balance was 0% (NT\$547 thousand), (0.02%) (NT\$4,895 thousand) and (0.02%) (NT\$5,573 thousand) of total assets, respectively. The related equity in their net income was 10.37% (net income NT\$11,700 thousand) and 22.63% (net income NT\$18,855 thousand) of income before income tax in 2013 and 2012, respectively. The financial statements of these equity-method investees were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the investees, are based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Syscom Computer Engineering Co. as of December 31, 2013, December 31, 2012 and January 1, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

*Deloitte & Touche*

March 28, 2014

### Notice to Readers

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

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

# **SYSCOM COMPUTER ENGINEERING CO.**

## **BALANCE SHEETS**

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Notes 4 and 6)	\$ 118,720	4	\$ 206,735	7	\$ 158,531	6
Available-for-sale financial assets - current (Notes 4 and 7)	62,063	2	1,421	-	75,838	3
Debt investments with no active market - current (Notes 4, 9 and 26)	127,976	4	109,841	4	145,356	6
Notes receivable	3,443	-	14,879	1	4,595	-
Accounts receivable (Notes 4, 10 and 25)	1,315,375	43	1,119,827	38	1,040,165	40
Current portion of lease payments receivable (Note 4)	39	-	1,104	-	2,015	-
Other receivables	3,588	-	6,932	-	39,615	2
Inventories (Notes 4 and 11)	285,596	9	441,210	15	202,559	8
Prepayments	141,434	5	161,888	5	130,314	5
Other current assets	17,631	-	2,844	-	4,559	-
<b>Total current assets</b>	<b>2,075,865</b>	<b>67</b>	<b>2,066,681</b>	<b>70</b>	<b>1,803,547</b>	<b>70</b>
<b>NONCURRENT ASSETS</b>						
Available-for-sale financial assets - noncurrent (Notes 4 and 7)	1,580	-	1,450	-	1,470	-
Financial assets carried at cost - noncurrent (Notes 4 and 8)	3,150	-	4,356	-	4,356	-
Debt investments with no active market - noncurrent (Notes 4, 9 and 26)	70,562	2	84,115	3	1,780	-
Investments accounted for using equity method (Notes 4 and 12)	484,712	16	421,934	14	397,797	15
Property, plant and equipment (Notes 4, 13 and 26)	418,284	14	344,746	12	336,722	13
Intangible assets (Notes 4 and 14)	214	-	500	-	786	-
Deferred tax assets (Notes 4 and 20)	23,620	1	16,677	-	19,914	1
Other noncurrent assets	3,666	-	26,130	1	24,726	1
<b>Total noncurrent assets</b>	<b>1,005,788</b>	<b>33</b>	<b>899,908</b>	<b>30</b>	<b>787,551</b>	<b>30</b>
<b>TOTAL</b>	<b>\$ 3,081,653</b>	<b>100</b>	<b>\$ 2,966,589</b>	<b>100</b>	<b>\$ 2,591,098</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 4, 15 and 26)	\$ -	-	\$ 100,000	3	\$ -	-
Notes payable	3,227	-	594	-	13,107	1
Accounts payable (Note 25)	956,335	31	940,132	32	702,333	27
Other payables (Note 16)	161,505	5	72,210	2	104,885	4
Current tax liabilities (Notes 4 and 20)	15,174	1	6,163	-	1,658	-
Advances received (Note 16)	103,480	3	58,458	2	5,861	-
Other current liabilities (Note 16)	8,426	-	12,915	1	7,576	-
<b>Total current liabilities</b>	<b>1,248,147</b>	<b>40</b>	<b>1,190,472</b>	<b>40</b>	<b>835,420</b>	<b>32</b>
<b>NONCURRENT LIABILITIES</b>						
Deferred tax liabilities (Notes 4 and 20)	16,778	1	7,455	-	7,037	1
Accrued pension liabilities (Notes 4 and 17)	115,725	4	115,811	4	104,536	4
Guarantee deposits received	10,373	-	12,644	1	3,702	-
Other noncurrent liabilities (Notes 4 and 12)	547	-	4,895	-	5,573	-
<b>Total noncurrent liabilities</b>	<b>143,423</b>	<b>5</b>	<b>140,805</b>	<b>5</b>	<b>120,848</b>	<b>5</b>
<b>Total liabilities</b>	<b>1,391,570</b>	<b>45</b>	<b>1,331,277</b>	<b>45</b>	<b>956,268</b>	<b>37</b>
<b>EQUITY (Notes 4, 18 and 20)</b>						
Capital stock	1,000,000	32	1,000,000	34	1,000,000	39
Capital surplus	511	-	-	-	-	-
Retained earnings						
Legal reserve	202,436	7	194,349	6	187,932	7
Special reserve	17,619	1	17,619	1	17,619	1
Unappropriated earnings	474,515	15	436,533	15	429,852	16
<b>Total retained earnings</b>	<b>694,570</b>	<b>23</b>	<b>648,501</b>	<b>22</b>	<b>635,403</b>	<b>24</b>
Other equity	(4,998)	-	(13,189)	(1)	(573)	-
<b>Total equity</b>	<b>1,690,083</b>	<b>55</b>	<b>1,635,312</b>	<b>55</b>	<b>1,634,830</b>	<b>63</b>
<b>TOTAL</b>	<b>\$ 3,081,653</b>	<b>100</b>	<b>\$ 2,966,589</b>	<b>100</b>	<b>\$ 2,591,098</b>	<b>100</b>

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

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

# SYSCOM COMPUTER ENGINEERING CO.

## STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4 and 25)				
Product sales	\$ 3,424,975	85	\$ 3,239,443	86
Maintenance	583,678	15	523,284	14
Interest on capital leases	<u>220</u>	<u>-</u>	<u>82</u>	<u>-</u>
Net operating revenues	<u>4,008,873</u>	<u>100</u>	<u>3,762,809</u>	<u>100</u>
OPERATING COSTS (Notes 4, 11, 17, 19 and 25)				
Cost of goods sold	2,709,874	67	2,607,393	69
Maintenance cost	<u>480,606</u>	<u>12</u>	<u>438,840</u>	<u>12</u>
Total operating costs	<u>3,190,480</u>	<u>79</u>	<u>3,046,233</u>	<u>81</u>
GROSS PROFIT	<u>818,393</u>	<u>21</u>	<u>716,576</u>	<u>19</u>
OPERATING EXPENSES (Notes 17, 19 and 25)				
General and administrative	535,960	13	499,022	13
Research and development	<u>183,063</u>	<u>5</u>	<u>176,299</u>	<u>5</u>
Total operating expenses	<u>719,023</u>	<u>18</u>	<u>675,321</u>	<u>18</u>
OPERATING INCOME	<u>99,370</u>	<u>3</u>	<u>41,255</u>	<u>1</u>
NONOPERATING INCOME AND EXPENSES				
Other income (Note 19)	34,569	1	23,060	1
Other gains and losses (Note 19)	(13,218)	(1)	(16,719)	(1)
Share of profit or loss of subsidiaries, associates and joint ventures (Notes 4 and 12)	(7,778)	-	36,680	1
Finance costs (Note 19)	<u>(92)</u>	<u>-</u>	<u>(963)</u>	<u>-</u>
Total nonoperating income and expenses	<u>13,481</u>	<u>-</u>	<u>42,058</u>	<u>1</u>
INCOME BEFORE INCOME TAX	112,851	3	83,313	2
INCOME TAX EXPENSE (Notes 4 and 20)	<u>18,042</u>	<u>-</u>	<u>10,311</u>	<u>-</u>
NET INCOME	<u>94,809</u>	<u>3</u>	<u>73,002</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS), NET				
Exchange differences on translating foreign operations (Notes 4 and 18)	8,966	-	(11,153)	(1)
Unrealized gain from available-for-sale financial assets (Notes 4 and 18)	281	-	62	-

(Continued)

# **SYSCOM COMPUTER ENGINEERING CO.**

## **STATEMENTS OF COMPREHENSIVE INCOME**

**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>For the Year Ended December 31</b>			
	<b>2013</b>		<b>2012</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Actuarial gain (loss) from defined benefit plans (Notes 4 and 17)	\$ 124	-	\$ (9,469)	-
Share of other comprehensive income of subsidiaries, associates and joint ventures (Note 4)	426	-	(1,960)	-
Income tax relating to components of other comprehensive income (Notes 4 and 20)	<u>(346)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>9,451</u>	<u>-</u>	<u>(22,520)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><b>\$ 104,260</b></u>	<u><b>3</b></u>	<u><b>\$ 50,482</b></u>	<u><b>1</b></u>
<b>EARNINGS PER SHARE (Note 21)</b>				
Basic	<u><u>\$ 0.95</u></u>		<u><u>\$ 0.73</u></u>	
Diluted	<u><u>\$ 0.95</u></u>		<u><u>\$ 0.73</u></u>	

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

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

(Concluded)

# **SYSKOM COMPUTER ENGINEERING CO.**

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

	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total Equity
BALANCE AT JANUARY 1, 2012	\$ 1,000,000	\$ -	\$ 187,932	\$ 17,619	\$ 429,852		\$ -	\$ (573)	\$ 1,634,830
Appropriation of the 2011 earnings	-	-	6,417	-	-	(6,417)	-	-	-
Legal reserve	-	-	-	-	-	(50,000)	-	-	(50,000)
Cash dividends	-	-	-	-	-	73,002	-	-	73,002
Net income for the year ended December 31, 2012	-	-	-	-	-	-	-	-	-
Other comprehensive loss for the year ended December 31, 2012, net of income tax	-	-	-	-	-	(9,904)	(12,650)	34	(22,520)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	-	63,098	(12,650)	34	50,482
BALANCE AT DECEMBER 31, 2012	1,000,000	-	194,349	17,619	436,533		(12,650)	(539)	1,635,312
Appropriation of the 2012 earnings	-	-	8,087	-	-	(8,087)	-	-	-
Legal reserve	-	-	-	-	-	(50,000)	-	-	(50,000)
Cash dividends	-	-	-	-	-	-	-	-	-
Adjustment on capital surplus due to change in ownership resulting from investee's capital increase	-	511	-	-	-	-	-	-	511
Net income for the year ended December 31, 2013	-	-	-	-	-	94,809	-	-	94,809
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	-	1,260	7,880	311	9,451
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	96,069	7,880	311	104,260
BALANCE AT DECEMBER 31, 2013	\$ 1,000,000	\$ 511	\$ 202,436	\$ 17,619	\$ 474,515		\$ (4,770)	\$ (228)	\$ 1,690,083

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

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

# SYSCOM COMPUTER ENGINEERING CO.

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

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 112,851	\$ 83,313
Adjustments for:		
Depreciation expenses	78,288	72,476
Loss on disposal of property, plant and equipment	9,336	11,037
Share of loss (profit) of subsidiaries, associates and joint ventures	7,778	(36,680)
Write-down of inventories	23,136	7,656
Interest income	(2,251)	(2,506)
Net gain on disposal of available-for-sale financial assets	(1,407)	(615)
Net (gain) loss on foreign currency exchange	(1,312)	1,238
Impairment loss recognized on financial assets	1,206	-
Amortization expenses	286	286
Finance costs	92	963
Dividend income	(51)	(47)
Changes in operating assets and liabilities		
Decrease (increase) in notes receivable	11,436	(10,284)
Increase in accounts receivable	(195,576)	(79,279)
Decrease in other receivables	3,234	33,493
Decrease (increase) in inventories	106,943	(267,690)
Decrease (increase) in prepayments	20,454	(31,574)
Decrease in other current assets	12	1,715
Decrease in lease payments receivable	141	1,208
Increase (decrease) in notes payable	2,633	(12,513)
Increase in accounts payable	16,888	236,806
Increase (decrease) in other payables	89,295	(32,675)
Increase in receipts in advance	45,022	52,597
(Decrease) increase in other current liabilities	(4,511)	5,373
Increase in accrued pension liabilities	38	1,806
Cash generated from operations	323,961	36,104
Income tax paid	(6,997)	(2,535)
Interest received	2,292	2,584
Interest paid	(92)	(963)
Dividend received	51	1,773
Net cash generated from operating activities	<u>319,215</u>	<u>36,963</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of available-for-sale financial assets	(1,096,000)	(680,500)
Proceeds on the sale of available-for-sale financial assets	1,036,915	755,614
Payments for property, plant and equipment	(135,929)	(70,588)
Increase in investments accounted for by the equity method	(65,000)	(2,974)
Purchase of debt investments with no active market	(4,582)	(46,820)
		(Continued)

# **SYSCOM COMPUTER ENGINEERING CO.**

## **STATEMENTS OF CASH FLOWS**

**(In Thousands of New Taiwan Dollars)**

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Decrease (increase) in refundable deposits	\$ 8,548	\$ (1,779)
Proceeds from disposal of property, plant and equipment	<u>302</u>	<u>434</u>
Net cash used in investing activities	<u>(255,746)</u>	<u>(46,613)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term borrowings	(100,000)	100,000
Cash dividends paid	(50,000)	(50,000)
(Decrease) increase in guarantee deposits received	<u>(2,249)</u>	<u>8,908</u>
Net cash (used in) generated from financing activities	<u>(152,249)</u>	<u>58,908</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>765</u>	<u>(1,054)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(88,015)	48,204
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>206,735</u>	<u>158,531</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 118,720</u>	<u>\$ 206,735</u>

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

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

(Concluded)



# **SYSCOM COMPUTER ENGINEERING CO.**

## **NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

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### **1. GENERAL INFORMATION**

Syscom Computer Engineering Co. (the "Corporation") was incorporated in July 1975. The Corporation mainly leases and sells computer systems and designs computer software. It also provides services on the integration of computer information system and maintenance of computer hardware.

The Corporation's stock has been listed on the Taiwan Stock Exchange since May 22, 2001.

The functional currency of the Corporation is the New Taiwan dollar.

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

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

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

- a. New, amended and revised standards and interpretations (the "New IFRSs") in issue but not yet effective

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

<b>The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013

(Continued)

<b>The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013
	(Concluded)

<b>The New IFRSs Not Included in the 2013 IFRSs Version</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 “Financial Instruments”	Note 3
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	Note 3
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

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

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

- b. Significant impending changes in accounting policy that would result from adoption of New IFRSs in issue but not yet effective

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

2) IFRS 13 "Fair Value Measurement"

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

3) Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"

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

4) Annual Improvements to IFRSs: 2010-2012 Cycle

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

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

5) Annual improvements to IFRSs: 2011-2013 Cycle

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

- c. The impact of the application of New IFRSs in issue but not yet effective on the Corporation's financial statements

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

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

The Corporation's financial statements for the year ended December 31, 2013 is its first IFRS financial statements prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations").

##### **Statement of Compliance**

The financial statements have been prepared in accordance with the Regulations.

##### **Basis of Preparation**

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

When preparing the financial statements, the Corporation used equity method to account for its investment in subsidiaries, associates and jointly controlled entities. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Corporation in its financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items, as appropriate, in the parent company only financial statements.

##### **Classification of Current and Noncurrent Assets and Liabilities**

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and

- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- c. Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

### **Foreign Currencies**

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

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

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

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

For the purposes of presenting financial statements, the assets and liabilities of the Corporation's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

### **Inventories**

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The cost of the prepayments for contracts was calculated by each contract. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are stated at weighted-average cost.

### **Investments Accounted for Using Equity Method**

Investments in subsidiaries, associates and jointly controlled entities are accounted for by the equity method.

#### Investment in subsidiaries

Subsidiaries are the entities controlled by the Corporation.

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

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

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

When testing for impairment, the cash-generating unit is determined based on the financial statements as a whole by comparing its recoverable amount with its carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized on the asset in prior years. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and sidestream transactions between subsidiaries are recognized in the Corporation's financial statements only to the extent of interests in the subsidiary that are not related to the Corporation.

#### Investment in associates and jointly controlled entities

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

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

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

When the Corporation's share of losses of an associate and jointly controlled entity equals or exceeds its interest in that associate and jointly controlled entity (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the associate and jointly controlled entity), the Corporation discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and jointly controlled entity.

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

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate and jointly controlled entity, profits and losses resulting from the transactions with the associate are recognized in the Corporation's consolidated financial statements only to the extent of interests in the associate and the jointly controlled entity that are not related to the Corporation.

### **Property, Plant and Equipment**

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

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

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

### **Intangible Assets**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

Gains or losses arising from derecognition of an intangible asset, which are measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

## **Impairment of Tangible and Intangible Assets Other than Goodwill**

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## **Financial Instruments**

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

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

### **a. Financial assets**

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

#### **1) Categories of measurement**

Financial assets are classified into the following categories: Available-for-sale financial assets, and loans and receivables.

##### **a) Available-for-sale financial assets**

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

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

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



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

b) Loans and receivables

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

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

2) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60-120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

### 3) Derecognition of financial assets

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

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

## b. Financial liabilities

### 1) Subsequent valuation

All the financial liabilities are measured at amortized cost using the effective interest method.

### 2) Derecognition of financial liabilities

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

## Revenue Recognition

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

### a. Sale of goods

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

- 1) The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 2) The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 3) The amount of revenue can be measured reliably;

- 4) It is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- 5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

b. Maintenance and design income

Maintenance income is recognized when services are provided.

When the outcome of a design contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred to date relative to the estimated total contract costs.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

c. Dividend and interest income

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

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

### **System Design Contracts**

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as prepayments. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade receivables.

### **Leases**

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

#### The Corporation as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Corporation's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Corporation's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

#### The Corporation as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

## **Government Grants**

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they become receivable.

## **Retirement Benefits**

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income.

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

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

## **Taxation**

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

### **a. Current tax**

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

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

### **b. Deferred tax**

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

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

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

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

c. Current and deferred tax for the year

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

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

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

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

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Corporation's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

### **Estimated Impairment of Trade Receivables**

When there is objective evidence of impairment loss, the Corporation takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

### **Impairment of Tangible and Intangible Assets**

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In the process of evaluating the potential impairment of tangible and intangible assets, the Corporation is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of the Corporation's industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years. As of December 31, 2013, December 31, 2012 and January 1, 2012, there were \$214 thousand, \$500 thousand and \$786 thousand. The Corporation did not recognize any impairment loss in 2013 and 2012.

## Recognition and Measurement of Defined Benefit Plans

Accrued pension liabilities and the resulting pension expense under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and long-term average future salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

## Income Taxes

As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amount of deferred tax assets in relation to unused tax losses was \$26,892 thousand, \$27,682 thousand and \$23,764 thousand, respectively. As of December 31, 2013, December 31, 2012 and January 1, 2012, no deferred tax asset has been recognized on tax losses of \$3,272 thousand, \$11,005 thousand, and \$3,850 thousand, respectively, due to the unpredictability of future profit streams. The reliability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

## 6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Checking accounts and demand deposits	\$ 107,608	\$ 202,763	\$ 152,870
Time deposits with maturities less than three months	10,526	3,386	5,075
Cash on hand	<u>586</u>	<u>586</u>	<u>586</u>
	<u>\$ 118,720</u>	<u>\$ 206,735</u>	<u>\$ 158,531</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Bank demand deposits	0.17%	0.17%	0.17%
Time deposits with maturities less than three months	0.88%-1.355%	0.94%-1.355%	0.89%-1.355%

As of December 31, 2013, December 31, 2012 and January 1, 2012, time deposits with maturities more than three months were \$41,849 thousand, \$18,489 thousand and \$3,837 thousand, respectively, which were classified to debt investments with no active market (see Notes 9 and 30).

## 7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Domestic investments</u>			
Beneficiary certificates	\$ 62,063	\$ 1,421	\$ 75,838
Listed stocks	<u>1,580</u>	<u>1,450</u>	<u>1,470</u>
	<u>\$ 63,643</u>	<u>\$ 2,871</u>	<u>\$ 77,308</u>
Current	\$ 62,063	\$ 1,421	\$ 75,838
Noncurrent	<u>1,580</u>	<u>1,450</u>	<u>1,470</u>
	<u>\$ 63,643</u>	<u>\$ 2,871</u>	<u>\$ 77,308</u>

## 8. FINANCIAL ASSETS CARRIED AT COST

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic unlisted common stocks	<u>\$ 3,150</u>	<u>\$ 4,356</u>	<u>\$ 4,356</u>
Classified according to financial asset measurement categories			
Available-for-sale financial assets	<u>\$ 3,150</u>	<u>\$ 4,356</u>	<u>\$ 4,356</u>

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

## 9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31, 2013	December 31, 2012	January 1, 2012
Pledged time deposits	\$ 156,689	\$ 175,467	\$ 143,299
Time deposits with maturities more than three months	<u>41,849</u>	<u>18,489</u>	<u>3,837</u>
	<u>\$ 198,538</u>	<u>\$ 193,956</u>	<u>\$ 147,136</u>
Current	\$ 127,976	\$ 109,841	\$ 145,356
Noncurrent	<u>70,562</u>	<u>84,115</u>	<u>1,780</u>
	<u>\$ 198,538</u>	<u>\$ 193,956</u>	<u>\$ 147,136</u>

As of December 31, 2013, December 31, 2012 and January 1, 2012, the market rate intervals of time deposits with maturities more than three months were 1.25%-1.45%, 0.88%-1.425% and 1.355%, respectively.

Refer to Note 26 for information relating to bond investments with no active market pledged as security.

## 10. ACCOUNTS RECEIVABLE

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivable	\$ 1,068,037	\$ 1,045,140	\$ 815,980
Amount due from customers for contracts	248,107	75,456	224,954
Less: Allowance for impairment loss	<u>(769)</u>	<u>(769)</u>	<u>(769)</u>
	<u>\$ 1,315,375</u>	<u>\$ 1,119,827</u>	<u>\$ 1,040,165</u>

### Accounts Receivable

The average credit period on sales of goods was 60 to 120 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss were recognized based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Corporation did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Corporation did not hold any collateral or other credit enhancements for these balances.

The aging of receivables that were past due but not impaired was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Over 121 days	<u>\$ 50,168</u>	<u>\$ 86,212</u>	<u>\$ 35,038</u>

The above aging schedule was based on the invoice date.

The allowance for impairment loss on accounts receivable did not change in 2013 and 2012.

## 11. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Prepayments for contracts			
Hardware	\$ 72,517	\$ 79,047	\$ 88,720
Software and service	<u>7,202</u>	<u>31,126</u>	<u>4,784</u>
	79,719	110,173	93,504
Commodities	199,046	286,478	90,423
Inventories in transit	6,334	36,050	10,279
Maintenance materials	<u>497</u>	<u>8,509</u>	<u>8,353</u>
	<u>\$ 285,596</u>	<u>\$ 441,210</u>	<u>\$ 202,559</u>

The commodities mainly consisted of computer hardware and software.



The costs of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2012 were \$2,709,874 thousand and \$2,607,393 thousand, respectively, which included \$23,136 thousand and \$7,656 thousand, respectively, due to write-downs of inventories.

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31, 2013	December 31, 2012	January 1, 2012
Investments in subsidiaries	\$ 334,167	\$ 331,671	\$ 305,677
Investments in associates	90,594	90,263	92,120
Investments in joint venture	<u>59,951</u>	<u>-</u>	<u>-</u>
	<u>\$ 484,712</u>	<u>\$ 421,934</u>	<u>\$ 397,797</u>

### Investments in Subsidiaries

	December 31, 2013	December 31, 2012	January 1, 2012
Unlisted company			
CASEMaker, Inc.	\$ 122,643	\$ 117,822	\$ 114,440
Syscom International Inc.	119,202	127,593	116,587
WiseMaker Technology Co.	42,839	37,498	29,838
Netmaker Technology Co.	39,244	38,590	38,518
Syscom Vietnam Co., Ltd.	8,311	6,484	3,283
Coach Tech Management Co.	<u>1,928</u>	<u>3,684</u>	<u>3,011</u>
	<u>\$ 334,167</u>	<u>\$ 331,671</u>	<u>\$ 305,677</u>
Credit balance of long-term investments reclassified to other noncurrent liabilities			
Syscom Computer (Thailand) Co., Ltd.	<u>\$ (547)</u>	<u>\$ (4,895)</u>	<u>\$ (5,573)</u>

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

	December 31, 2013	December 31, 2012	January 1, 2012
CASEMaker, Inc.	100.00%	100.00%	100.00%
Syscom International Inc.	100.00%	100.00%	100.00%
WiseMaker Technology Co.	98.68%	98.68%	98.68%
Netmaker Technology Co.	75.50%	75.50%	75.50%
Syscom Vietnam Co., Ltd.	100.00%	100.00%	100.00%
Coach Tech Management Co.	97.50%	97.50%	97.50%
Syscom Computer (Thailand) Co., Ltd.	89.77%	89.77%	89.77%

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

## Investment in Associate

	December 31, 2013	December 31, 2012	January 1, 2012
Listed company			
Dimension Computer Technology Co., Ltd.	\$ 81,503	\$ 80,583	\$ 82,903
Unlisted company			
DBMaker Japan Inc.	<u>9,091</u>	<u>9,680</u>	<u>9,217</u>
	<u>\$ 90,594</u>	<u>\$ 90,263</u>	<u>\$ 92,120</u>

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

Name of Associates	December 31, 2013	December 31, 2012	January 1, 2012
Dimension Computer Technology Co., Ltd.	17.62%	17.62%	17.62%
DBMaker Japan Inc.	49.89%	49.89%	49.89%

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

Name of Associates	December 31, 2013	December 31, 2012	January 1, 2012
Dimension Computer Technology Co., Ltd.	<u>\$ 75,024</u>	<u>\$ 69,617</u>	<u>\$ 67,263</u>

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

Name of Associates	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	<u>\$ 868,643</u>	<u>\$ 780,368</u>	<u>\$1,085,563</u>
Total liabilities	<u>\$ 387,756</u>	<u>\$ 303,523</u>	<u>\$ 596,477</u>

	Years Ended December 31	
	2013	2012
Revenue	<u>\$ 1,105,855</u>	<u>\$ 1,076,475</u>
Net income for the year	<u>\$ (3,577)</u>	<u>\$ 4,893</u>
Other comprehensive income for the year	<u>\$ (14,732)</u>	<u>\$ (9,142)</u>
Corporation's share of profits and other comprehensive income of associates for the year	<u>\$ 1,117</u>	<u>\$ 2,105</u>

Except for DBMaker Japan Inc., investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements of DBMaker Japan Inc. that have not been audited.

## Investment in Joint Venture

**December 31,  
2013**

CloudMaster Co., Ltd. ("CloudMaster")

\$ 59,951

At the end of the reporting period, the proportion of ownership and voting rights in jointly controlled entities held by the Corporation were as follows:

<b>Name of Associate</b>	<b>December 31, 2013</b>
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CloudMaster	50.00%
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The summarized financial information in respect of the Corporation's interests in the jointly controlled entities which are accounted for using the equity method is set out below:

**December 31,  
2013**

Current assets	<u>\$ 61,662</u>
Noncurrent assets	<u>\$ 505</u>
Current liabilities	<u>\$ 2,215</u>

**For the Year  
Ended  
December 31,  
2013**

Income recognized in profit or loss	<u>\$ 4,076</u>
Expenses recognized in profit or loss	<u>\$ 9,125</u>
Other comprehensive income	<u>\$ -</u>

In March 2013, under the authorization of the Investment Commission of the Ministry of Economic Affairs, the Corporation incorporated CloudMaster under the joint venture agreement and had 50% of ownership. CloudMaster provides services in information software, data processing and electronic information. Under the joint venture agreement, in the meetings of the board of directors and the shareholders of CloudMaster, majority rule shall prevail. However, the Corporation's seat in CloudMaster's board of director does not exceed half of the board. Besides, under CloudMaster's policies, significant strategic decisions should be made by unanimous agreement of the shareholders of both entities, and the Corporation has no right to obtain the variable rewards which is unavailable to CloudMaster's shareholders and does not have direct ability to affect the rewards from investing in CloudMaster. As a result, the Corporation has no control over CloudMaster.

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

### 13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Maintenance Equipment	Computer Equipment	Leasehold Improvements	Others	Total
<u>Cost</u>							
Balance at January 1, 2012	\$ 116,553	\$ 83,229	\$ 148,063	\$ 168,208	\$ 30,051	\$ 36,990	\$ 583,094
Additions	-	-	19,402	41,744	1,441	8,001	70,588
Disposals	-	-	(30,374)	(50,349)	(22,890)	(22,487)	(126,100)
Reclassification	-	-	10,854	10,529	-	-	21,383
Balance at December 31, 2012	<u>\$ 116,553</u>	<u>\$ 83,229</u>	<u>\$ 147,945</u>	<u>\$ 170,132</u>	<u>\$ 8,602</u>	<u>\$ 22,504</u>	<u>\$ 548,965</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2012	\$ -	\$ 26,275	\$ 72,758	\$ 101,749	\$ 20,775	\$ 24,815	\$ 246,372
Depreciation expense	-	1,410	30,109	30,910	5,698	4,349	72,476
Disposals	-	-	(29,290)	(45,539)	(20,453)	(19,347)	(114,629)
Balance at December 31, 2012	<u>\$ -</u>	<u>\$ 27,685</u>	<u>\$ 73,577</u>	<u>\$ 87,120</u>	<u>\$ 6,020</u>	<u>\$ 9,817</u>	<u>\$ 204,219</u>
Carrying amounts at January 1, 2012	<u>\$ 116,553</u>	<u>\$ 56,954</u>	<u>\$ 75,305</u>	<u>\$ 66,459</u>	<u>\$ 9,276</u>	<u>\$ 12,175</u>	<u>\$ 336,722</u>
Carrying amounts at December 31, 2012	<u>\$ 116,553</u>	<u>\$ 55,544</u>	<u>\$ 74,368</u>	<u>\$ 83,012</u>	<u>\$ 2,582</u>	<u>\$ 12,687</u>	<u>\$ 344,746</u>
<u>Cost</u>							
Balance at January 1, 2013	\$ 116,553	\$ 83,229	\$ 147,945	\$ 170,132	\$ 8,602	\$ 22,504	\$ 548,965
Additions	-	-	15,866	44,468	73,391	2,204	135,929
Disposals	-	-	(33,534)	(67,368)	-	(8,020)	(108,922)
Reclassification	-	-	22,143	2,111	-	-	24,254
Balance at December 31, 2013	<u>\$ 116,553</u>	<u>\$ 83,229</u>	<u>\$ 152,420</u>	<u>\$ 149,343</u>	<u>\$ 81,993</u>	<u>\$ 16,688</u>	<u>\$ 600,226</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2013	\$ -	\$ 27,685	\$ 73,577	\$ 87,120	\$ 6,020	\$ 9,817	\$ 204,219
Depreciation expense	-	1,410	32,743	33,217	8,037	2,881	78,288
Disposals	-	-	(30,893)	(61,422)	-	(6,969)	(99,284)
Reclassification	-	-	-	(1,281)	-	-	(1,281)
Balance at December 31, 2013	<u>\$ -</u>	<u>\$ 29,095</u>	<u>\$ 75,427</u>	<u>\$ 57,634</u>	<u>\$ 14,057</u>	<u>\$ 5,729</u>	<u>\$ 181,942</u>
Carrying amounts at December 31, 2013	<u>\$ 116,553</u>	<u>\$ 54,134</u>	<u>\$ 76,993</u>	<u>\$ 91,709</u>	<u>\$ 67,936</u>	<u>\$ 10,959</u>	<u>\$ 418,284</u>

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

Buildings	55-60 years
Maintenance equipment	3-6 years
Computer equipment	3-6 years
Leasehold improvements	5-10 years
Others	
Research and development equipment	3 years
Furniture and fixtures	5-8 years
Transportation equipment	5 years

Refer to Note 26 for the carrying amount of property, plant and equipment pledged by the Corporation to secure borrowings and general banking facilities granted to the Corporation.

#### 14. INTANGIBLE ASSETS

	<u>Years Ended December 31</u>	
	<u>2013</u>	<u>2012</u>
<u>Computer software</u>		
Balance at beginning of the period	\$ 500	\$ 786
Amortization expense	<u>(286)</u>	<u>(286)</u>
Balance at end of the period	<u>\$ 214</u>	<u>\$ 500</u>

Computer software was depreciated on a straight-line basis over 5 years.

#### 15. SHORT-TERM BORROWINGS

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>	<u>January 1, 2012</u>
<u>Unsecured borrowings</u>			
Line of credit borrowings	\$ -	\$ 90,000	\$ -
<u>Secured borrowings</u> (Note 26)			
Bank loans	<u>-</u>	<u>10,000</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ -</u>

The range of interest rate on bank loans was 1.40%-1.50% per annum as of December 31, 2012.

#### 16. OTHER CURRENT LIABILITIES

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>	<u>January 1, 2012</u>
Salaries payable and bonus payable	\$ 107,385	\$ 22,631	\$ 67,943
Advances received	103,480	58,458	5,861
Payable for tax	17,295	18,370	8,917
Payable for insurance	9,274	8,835	7,910
Payable for pension	8,655	8,242	7,523
Receipts under custody	7,237	9,714	6,014
Other	<u>20,085</u>	<u>17,333</u>	<u>14,127</u>
	<u>\$ 273,411</u>	<u>\$ 143,583</u>	<u>\$ 118,322</u>
<u>Current</u>			
Other payables	<u>\$ 161,505</u>	<u>\$ 72,210</u>	<u>\$ 104,885</u>
Advances received	<u>\$ 103,480</u>	<u>\$ 58,458</u>	<u>\$ 5,861</u>
Other liabilities	<u>\$ 8,426</u>	<u>\$ 12,915</u>	<u>\$ 7,576</u>

## 17. RETIREMENT BENEFIT PLANS

### Defined Contribution Plans

The Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### Defined Benefit Plans

The Corporation adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the one month before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

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

	Measurement Date		
	December 31, 2013	December 31, 2012	January 1, 2012
Discount rate	1.80%	1.35%	1.65%
Expected return on plan assets	1.80%	2.50%	2.25%
Expected rate of salary increase	2.00%	2.00%	2.50%

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

Amounts recognized in profit or loss in respect of these defined benefit plans for the years ended December 31, 2013 and 2012 were as follows:

	Years Ended December 31	
	2013	2012
Current service cost	\$ 852	\$ 855
Interest cost	2,356	2,681
Expected return on plan assets	(1,470)	(1,306)
	<u>\$ 1,738</u>	<u>\$ 2,230</u>
An analysis by function		
Operating expense	<u>\$ 1,738</u>	<u>\$ 2,230</u>

Actuarial gains and losses (net of tax) recognized in other comprehensive income for the years ended December 31, 2013 and 2012 was gains of \$1,713 thousand and losses of \$9,469 thousand, respectively. The cumulative amount of actuarial losses recognized in other comprehensive income as of December 31, 2013 and 2012 was \$7,756 thousand and \$9,469 thousand, respectively.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded defined benefit obligation	\$ 173,965	\$ 174,510	\$ 162,501
Fair value of plan assets	<u>(58,240)</u>	<u>(58,699)</u>	<u>(57,965)</u>
Net liability arising from defined benefit obligation	<u>\$ 115,725</u>	<u>\$ 115,811</u>	<u>\$ 104,536</u>

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

	Years Ended December 31	
	2013	2012
Opening defined benefit obligation	\$ 174,510	\$ 162,501
Current service cost	852	855
Interest cost	2,356	2,681
Actuarial (gains) losses	(845)	8,725
Benefits paid	<u>(2,908)</u>	<u>(252)</u>
Closing defined benefit obligation	<u>\$ 173,965</u>	<u>\$ 174,510</u>

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

	Years Ended December 31	
	2013	2012
Opening fair value of plan assets	\$ 58,699	\$ 57,965
Expected return on plan assets	1,470	1,306
Actuarial losses	(721)	(744)
Contributions from the employer	1,700	425
Benefits paid	<u>(2,908)</u>	<u>(253)</u>
Closing fair value of plan assets	<u>\$ 58,240</u>	<u>\$ 58,699</u>

The major categories of plan assets at the end of the reporting period for each category were disclosed based on the information announced by Bureau of Labor Funds, Ministry of Labor:

	December 31, 2013	December 31, 2012	January 1, 2012
Bank deposit	22.86%	24.51%	23.87%
Domestic debt securities	13.47%	20.99%	19.06%
Domestic equity securities	29.36%	27.03%	32.74%
Foreign debt securities	18.11%	16.28%	16.19%
Foreign equity securities	15.41%	10.40%	8.01%
Others	<u>0.79%</u>	<u>0.79%</u>	<u>0.13%</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

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

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	\$ 173,965	\$ 174,510	\$ 162,501
Fair value of plan assets	\$ (58,240)	\$ (58,699)	\$ (57,965)
Deficit	\$ 115,725	\$ 115,811	\$ 104,536
Experience adjustments on plan liabilities	\$ (845)	\$ 8,725	\$ -
Experience adjustments on plan assets	\$ 721	\$ 744	\$ -

The Corporation expected to make a contribution of \$160 thousand and \$1,700 thousand, respectively to the defined benefit plans during the annual period beginning after 2013 and 2012.

## 18. EQUITY

### a. Common stock

	December 31, 2013	December 31, 2012	January 1, 2012
Numbers of shares authorized (in thousands)	157,000	157,000	157,000
Shares authorized	\$ 1,570,000	\$ 1,570,000	\$ 1,570,000
Number of shares issued and fully paid (in thousands)	100,000	100,000	100,000
Shares issued	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000

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

### b. Capital surplus

The capital surplus from long-term investments may not be used for any purpose.

### c. Appropriation of earnings and dividend policy

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

- 1) 10% as legal reserve;
- 2) Special reserve to be retained depending on business requirements;
- 3) At least 0.1% of the remainder, if any, as bonus to employees, and the rest, to be appropriated according to the stockholders' resolution.

The Corporation distributes/pays both cash and stock dividends, taking into account its future capital expenditure requirements and cash position. The distribution of cash dividends should not be less than 10% of the total dividends of the year. The Corporation may raise the percentage of cash dividend distribution only if the Corporation's earnings and cash position is strong.



For the years ended December 31, 2013 and 2012, the bonus to employees was both \$1,000 thousand. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the fair value of the shares. For the calculation of the number of shares, the fair value of the shares refer to the closing price (after considering the effect of cash and share dividends) of the shares on the day immediately preceding the shareholders' meeting.

Under Rule No. 100116 and Rule No. 0950000507 issued by the FSC, an amount equal to the net debit balance of shareholders' other equity items (including exchange differences on translating foreign operations and unrealized gain (loss) on available-for-sale financial assets) shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated before January 1, 2012 shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

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

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

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

The appropriations of earnings for 2012 and 2011 had been approved in the shareholders' meetings on June 11, 2013 and June 15, 2012, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividend Per Share (NT\$)</b>	
	<b>For Fiscal Year 2012</b>	<b>For Fiscal Year 2011</b>	<b>For Fiscal Year 2012</b>	<b>For Fiscal Year 2011</b>
Legal reserve	\$ 8,087	\$ 6,417		
Cash dividends	<u>50,000</u>	<u>50,000</u>	\$0.5	\$0.5
	<u>\$ 58,087</u>	<u>\$ 56,417</u>		

The bonuses to employees for 2012 and 2011 were as follows:

	<b>Bonuses to Employees Bonus</b>	
	<b>For Fiscal Year 2012</b>	<b>For Fiscal Year 2011</b>
Amounts approved in shareholders' meetings	\$ 1,000	\$ 1,000
Amounts recognized in respective financial statements	<u>1,000</u>	<u>1,000</u>
	<u>\$ -</u>	<u>\$ -</u>

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

The appropriations of earnings for 2013 had been proposed by the Corporation's board of directors on March 28, 2014. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 9,481	
Cash dividends	60,000	\$0.6

The appropriations of earnings and the bonus to employees for 2013 are subject to the resolution of the shareholders' meeting to be held on June 23, 2014.

Information on the bonus to employees proposed by the Corporation's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Special reserves appropriated under Rule No. 1010012865 issued by the SEC.

The Corporation's special reserves appropriated under Rule No. 1010012865 issued by the SEC were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Special reserve	<u>\$ 17,619</u>	<u>\$ -</u>	<u>\$ -</u>

The Corporation appropriated for special reserve, the amount that was the same as the cumulative translation differences transferred to retained earnings, which was \$17,619 thousand.

e. Other equities

1) Exchange differences on translating foreign operations

	<b>Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Balance at beginning of the year	\$ (12,650)	\$ -
Exchange differences arising on translating the foreign operations	8,966	(11,153)
Share of exchange differences of subsidiaries and associates accounted for using the equity method	849	(1,497)
Income tax related to gains arising on translating the net assets of foreign operations	<u>(1,935)</u>	<u>-</u>
Balance at end of the year	<u>\$ (4,770)</u>	<u>\$ (12,650)</u>

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

	<b>Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Balance at beginning of the year	\$ (539)	\$ (573)
Unrealized gain arising on revaluation of available-for-sale financial assets	281	62
Share of unrealized gain on revaluation of available-for-sale financial assets of subsidiaries and associates accounted for using the equity method	<u>30</u>	<u>(28)</u>
Balance at end of the year	<u>\$ (228)</u>	<u>\$ (539)</u>

**19. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS**

Net profit (loss) from continuing operation included the following items:

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Government grant	\$ 13,233	\$ 9,602
Rental income	4,464	2,237
Interest income	2,251	2,506
Others	<u>14,621</u>	<u>8,715</u>
	<u>\$ 34,569</u>	<u>\$ 23,060</u>

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Loss on disposal of property, plant and equipment	\$ (9,336)	\$ (11,037)
Gain on disposal of available-for-sale financial assets	1,407	615
Impairment loss on financial assets carried at cost	(1,206)	-
Net foreign exchange losses	(520)	(5,283)
Others	<u>(3,563)</u>	<u>(1,014)</u>
	<b><u>\$ (13,218)</u></b>	<b><u>\$ (16,719)</u></b>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Interest on bank loans	<u>\$ 92</u>	<u>\$ 963</u>

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<u>Property, plant and equipment</u>		
An analysis of deprecation by function		
Operating expenses	<u>\$ 78,288</u>	<u>\$ 72,476</u>
<u>Intangible assets</u>		
An analysis of amortization by function		
Operating expenses	<u>\$ 286</u>	<u>\$ 286</u>

e. Employee benefit expense

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Short-term employee benefits		
Salary	\$ 708,710	\$ 676,476
Labor and health Insurance	58,177	54,964
Others	<u>26,498</u>	<u>24,971</u>
	<u>793,385</u>	<u>756,411</u>
Retirement benefits (Note18)		
Defined contribution plans	33,719	31,875
Defined benefit plans	<u>1,738</u>	<u>2,230</u>
	<u>35,457</u>	<u>34,105</u>
Total employee benefits expense	<b><u>\$ 828,842</u></b>	<b><u>\$ 790,516</u></b>
An analysis of employee benefits expense by function		
Operating costs	\$ 303,306	\$ 301,623
Operating expenses	<u>525,536</u>	<u>488,893</u>
	<b><u>\$ 828,842</u></b>	<b><u>\$ 790,516</u></b>

## 20. INCOME TAXES RELATING TO CONTINUING OPERATIONS

### a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Current tax		
In respect of the current year	\$ 13,569	\$ 5,858
Tax on unappropriated earnings	2,278	776
In respect of prior periods	161	22
Deferred tax		
In respect of the current period	<u>2,034</u>	<u>3,655</u>
Income tax expense recognized in profit or loss	<u>\$ 18,042</u>	<u>\$ 10,311</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Income from continuing operations before tax	<u>\$ 112,851</u>	<u>\$ 83,313</u>
Income tax expense calculated at the statutory rate	\$ 19,185	\$ 14,163
Tax-exempt income	(194)	(5,632)
Additional income tax on unappropriated earnings	2,278	776
Unrecognized deductible temporary differences	(643)	(146)
Unrecognized investment tax credit	(2,745)	1,128
Adjustments for prior years' tax	<u>161</u>	<u>22</u>
Income tax expense recognized in profit or loss	<u>\$ 18,042</u>	<u>\$ 10,311</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Corporation.

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

### b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<u>Deferred tax</u>		
Translation of foreign operations	\$ 1,935	\$ -
Actuarial gains and losses on the defined benefit plan	<u>(1,589)</u>	<u>-</u>
	<u>\$ 346</u>	<u>\$ -</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized write-downs				
of inventory	\$ 8,302	\$ 3,933	\$ -	\$ 12,235
Deferred revenue	1,865	(1,865)	-	-
Defined benefit				
obligation	453	8,631	1,589	10,673
Others	104	608	-	712
Investment tax credits	<u>5,953</u>	<u>(5,953)</u>	<u>-</u>	<u>-</u>
	<u>\$ 16,677</u>	<u>\$ 5,354</u>	<u>\$ 1,589</u>	<u>\$ 23,620</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Subsidiaries and				
associates	\$ (7,455)	\$ (7,388)	\$ -	\$ (14,843)
Exchange difference on				
foreign operations	<u>-</u>	<u>-</u>	<u>(1,935)</u>	<u>(1,935)</u>
	<u>\$ (7,455)</u>	<u>\$ (7,388)</u>	<u>\$ (1,935)</u>	<u>\$ (16,778)</u>

For the year ended December 31, 2012

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized write-downs				
of inventory	\$ 7,000	\$ 1,302	\$ -	\$ 8,302
Deferred revenue	-	1,865	-	1,865
Defined benefit				
obligation	-	453	-	453
Others	-	104	-	104
Investment tax credits	<u>12,914</u>	<u>(6,961)</u>	<u>-</u>	<u>5,953</u>
	<u>\$ 19,914</u>	<u>\$ (3,237)</u>	<u>\$ -</u>	<u>\$ 16,677</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Subsidiaries and associates	\$ (5,811)	\$ (1,644)	\$ -	\$ (7,455)
Defined benefit obligation	(1,149)	1,149	-	-
Unrealized exchange gain or loss	<u>(77)</u>	<u>77</u>	<u>-</u>	<u>-</u>
	<u>\$ (7,037)</u>	<u>\$ (418)</u>	<u>\$ -</u>	<u>\$ (7,455)</u> (Concluded)

d. Integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings generated before January 1, 1998	\$ 280,351	\$ 280,351	\$ 280,351
Unappropriated earnings generated on and after January 1, 1998	<u>194,164</u>	<u>156,182</u>	<u>149,501</u>
	<u>\$ 474,515</u>	<u>\$ 436,533</u>	<u>\$ 429,852</u>
Imputation credit accounts	<u>\$ 9,992</u>	<u>\$ 8,339</u>	<u>\$ 9,340</u>

	<u>For the Year Ended December 31</u>	
	2013	2012
	(Expected Ratio)	
Creditable ratios for the distribution	13.05%	8.41%

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

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating imputation credits in the year of first-time adoption of IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of IFRSs.

e. Income tax assessments

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

## 21. EARNINGS PER SHARE

The earnings and weighted average number of common shares outstanding in the computation of earnings per share were as follows:

### Net Income

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Income used in the computation of basic earnings per share	<u>\$ 94,809</u>	<u>\$ 94,809</u>
Income used in the computation of diluted earnings per share	<u>\$ 94,809</u>	<u>\$ 94,809</u>

### Shares

(In Thousand of Shares)

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Weighted average number of common shares in computation of basic earnings per share	100,000	100,000
Effect of potentially dilutive common shares		
Bonus issue to employees	<u>99</u>	<u>133</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>100,099</u>	<u>100,133</u>

If the Corporation offered to settle bonuses paid to employees in cash or shares, the Corporation assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 22. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of office with lease terms between 1 and 10 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Corporation does not have a bargain purchase option to acquire the leased office at the expiration of the lease periods.

The Corporation has paid refundable deposits for operating lease arrangements at December 31, 2013, December 31, 2012 and January 1, 2012, were \$120 thousand, \$6,802 thousand and \$6,802 thousand, respectively.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Not later than 1 year	\$ 35,640	\$ 35,640	\$ 28,784
Later than 1 year and not later than 5 years	142,560	142,560	-
Later than 5 years	<u>142,560</u>	<u>178,200</u>	<u>-</u>
	<u>\$ 320,760</u>	<u>\$ 356,400</u>	<u>\$ 28,784</u>



## 23. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

Key management personnel of the Corporation review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, or the amount of new debt issued or existing debt redeemed.

## 24. FINANCIAL INSTRUMENTS

### Fair Value of Financial Instruments

#### a. Fair value of financial instruments not carried at fair value

The Corporation's management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

#### b. Fair value measurements recognized in the balance sheets

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

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

	Level 1	Level 2	Level 3	Total
<u>December 31, 2013</u>				
Available-for-sale financial assets				
Beneficiary certificates	\$ 62,063	\$ -	\$ -	\$ 62,063
Listed stocks	<u>1,580</u>	<u>-</u>	<u>-</u>	<u>1,580</u>
	<u>\$ 63,643</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,643</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>December 31, 2012</u>				
Available-for-sale financial asset				
Beneficiary certificates	\$ 1,421	\$ -	\$ -	\$ 1,421
Listed stocks	<u>1,450</u>	<u>-</u>	<u>-</u>	<u>1,450</u>
	<u>\$ 2,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,871</u>
<u>January 1, 2012</u>				
Available-for-sale financial assets				
Beneficiary certificates	\$ 75,838	\$ -	\$ -	\$ 75,838
Listed stocks	<u>1,470</u>	<u>-</u>	<u>-</u>	<u>1,470</u>
	<u>\$ 77,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,308</u>
				(Concluded)

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

#### Categories of Financial Instruments

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Financial assets</u>			
Loans and receivables (a)	\$ 1,639,703	\$ 1,543,433	\$ 1,392,057
Available-for-sale financial assets (b)	66,793	7,227	81,664
<u>Financial liabilities</u>			
Amortized cost (c)	1,121,067	1,112,936	820,325

- The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, and trade and other receivables.
- The balances included the carrying amount of available-for-sale financial assets measured at cost.
- The balances included financial liabilities measured at amortized cost, which comprise short-term loans, and trade and other payables.

#### Financial Risk Management Objectives and Policies

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

a. Market risk

The Corporation's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see (1) below) and interest rates (see (2) below)

1) Exchange rate sensitivity analysis

The Corporation had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Corporation was mainly exposed to USD.

The following details the Corporation's sensitivity to a 10% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

For the years ended December 31, 2013 and 2012, there would be an increase of \$2,405 thousand and a decrease of \$955 thousand, respectively, in pre-tax profit associated with New Taiwan dollars strengthen 10% against USD. For a 10% weakening of New Taiwan dollars against USD, there would be an equal and opposite impact on pre-tax profit and the balances would be negative. The effect of exchange rate changes was mainly attributable to the exposure outstanding on USD cash, receivables and payables, which were not hedged at the end of the reporting period.

2) Interest rate risk

The Corporation was exposed to interest rate risk because the Corporation borrowed funds at fixed interest rates. The risk is managed by the Corporation by maintaining an appropriate mix of fixed rate borrowings.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Fair value interest rate risk			
Financial assets	\$ 209,064	\$ 197,342	\$ 152,211
Financial liabilities	-	100,000	-
Cash flow interest rate risk			
Financial assets	107,519	202,540	152,781
Financial liabilities	-	-	-

Sensitivity analysis

The sensitivity analyses below were determined based on the Corporation's exposure to interest rates for non-derivative instruments at the end of the reporting period.

If interest rates had been 1 basis point higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2013 and 2012 would decrease/increase by \$11 thousand and \$20 thousand, respectively.

b. Credit risk

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

The Corporation adopted a policy of only dealing with creditworthy counterparties. Before trading with new customers, the Corporation assessed the credit quality of potential customer by internal credit checking and set the credit limit which is reassessed annually.

Credit risk represents the potential loss that would be incurred by the Corporation if the counterparties breach contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counterparties to the foregoing financial instruments are reputable financial institutions and business organizations. Management does not expect the Corporation's exposure to default by those parties to be material.

The Corporation did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

c. Liquidity risk

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

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Corporation had available unutilized short-term bank loan facilities set out in (2) below.

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

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

December 31, 2013

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ -	\$ 1,121,067	\$ -
Financial guarantee contracts	<u>-</u>	<u>-</u>	<u>71,532</u>
	<u>\$ -</u>	<u>\$ 1,121,067</u>	<u>\$ 71,532</u>

December 31, 2012

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ -	\$ 1,012,936	\$ -
Fixed interest rate liabilities	100,086	-	-
Financial guarantee contracts	<u>15,500</u>	<u>40,515</u>	<u>65,872</u>
	<u>\$ 115,586</u>	<u>\$ 1,053,451</u>	<u>\$ 65,872</u>

January 1, 2012

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ -	\$ 820,325	\$ -
Financial guarantee contracts	<u>-</u>	<u>-</u>	<u>90,239</u>
	<u>\$ -</u>	<u>\$ 820,325</u>	<u>\$ 90,239</u>

The amounts included above for financial guarantee contracts were the maximum amounts the Corporation could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Corporation considers that it is more likely than not that no amount will be payable under the arrangement.

The amounts included above for floating interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in floating interest rates differ from those estimates of interest rates determined at the end of the reporting period.

2) Financing facilities

	December 31, 2013	December 31, 2012	January 1, 2012
Secured bank overdraft facility:			
Amount used	\$ 1,160	\$ 32,207	\$ 56,493
Amount unused	<u>238,840</u>	<u>285,217</u>	<u>231,672</u>
	<u>\$ 240,000</u>	<u>\$ 317,424</u>	<u>\$ 288,165</u>
Unsecured bank overdraft facility, reviewed annually and payable at call:			
Amount used	\$ 345,827	\$ 246,924	\$ 150,466
Amount unused	<u>584,173</u>	<u>563,076</u>	<u>589,534</u>
	<u>\$ 930,000</u>	<u>\$ 810,000</u>	<u>\$ 740,000</u>

## 25. TRANSACTIONS WITH RELATED PARTIES

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

### a. Operating transactions

	Sales		Purchase	
	For the Year Ended December 31		For the Year Ended December 31	
	2013	2012	2013	2012
Associates	\$ 3,490	\$ 1,122	\$ -	\$ 392
Subsidiaries	50,458	18,645	35,930	27,736
Other related party	<u>267</u>	<u>7,124</u>	<u>-</u>	<u>-</u>
	<u>\$ 54,215</u>	<u>\$ 26,891</u>	<u>\$ 35,930</u>	<u>\$ 28,128</u>

Receivables from related parties:

	December 31, 2013	December 31, 2012	January 1, 2012
Associates	\$ 315	\$ 14	\$ 171
Subsidiaries	22,942	4,499	8,353
Other related party	<u>-</u>	<u>8,954</u>	<u>-</u>
	<u>\$ 23,257</u>	<u>\$ 13,467</u>	<u>\$ 8,524</u>

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

Payables to related parties:

	December 31, 2013	December 31, 2012	January 1, 2012
Associates	\$ -	\$ -	\$ 20
Subsidiaries	14,076	29,342	19,137
Other related party	<u>-</u>	<u>1,018</u>	<u>1,032</u>
	<u>\$ 14,076</u>	<u>\$ 30,360</u>	<u>\$ 20,189</u>

The outstanding trade payables from related parties are unsecured and paid off by cash.

Operating expense - rental:

	For the Year Ended December 31	
	2013	2012
Investors that have significant influence over the Corporation	<u>\$ 35,851</u>	<u>\$ 4,075</u>

b. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Short-term employee benefits	\$ 120,897	\$ 130,633
Post-employment benefits	<u>5,925</u>	<u>5,382</u>
	<u><b>\$ 126,822</b></u>	<u><b>\$ 136,015</b></u>

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

## 26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The assets pledged as collaterals for system design contract, bank loans and for product warranty were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Pledge deposits (accounted for as debt investments with no active market)	\$ 156,689	\$ 175,467	\$ 143,299
Property, plant and equipment, net	<u>154,512</u>	<u>155,698</u>	<u>156,885</u>
	<u><b>\$ 311,201</b></u>	<u><b>\$ 331,165</b></u>	<u><b>\$ 300,184</b></u>

## 27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2013, the Corporation had issued guarantee notes amounting to \$60,781 thousand for application for government grants and selling computer equipment to customers.

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

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

	<b>December 31, 2013</b>	
	<b>Foreign Currencies (In Thousand)</b>	<b>Carrying Amount (In Thousand of Dollars)</b>
<u>Financial assets</u>		
Monetary items		
USD	\$ 118	\$ 3,524
JPY	14,085	3,999
Non-monetary items		
USD	8,114	241,844
JPY	18,222	5,173

(Continued)

December 31, 2013			
	Foreign Currencies (In Thousand)	Exchange Rate	Carrying Amount (In Thousand of Dollars)
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 924	29.8050	\$ 27,577 (Concluded)

December 31, 2012			
	Foreign Currencies (In Thousand)	Exchange Rate	Carrying Amount (In Thousand of Dollars)
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,219	29.0400	\$ 35,592
JPY	8,946	0.3364	3,009

<u>Financial liabilities</u>			
Monetary items			
USD	890	29.0400	25,846
HKD	1,000	3.7470	3,747

January 1, 2012			
	Foreign Currencies (In Thousand)	Exchange Rate	Carrying Amount (In Thousand of Dollars)
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,537	30.2750	\$ 76,808
JPY	3,711	0.3906	1,450

<u>Financial liabilities</u>			
Monetary items			
USD	708	30.2750	27,430

## 29. SEPARATELY DISCLOSED ITEMS

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

1) Financing provided to others: Table 1.

2) Endorsements/guarantees provided: Table 2.



- 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities): Table 3.
  - 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
  - 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None.
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
  - 9) Trading in derivative instruments: None.
  - 10) Information on investees: Table 4.
- b. Investments in Mainland China:
- 1) Information on any investee company in Mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the Mainland China area: Table 5.
  - 2) Any of the following significant transactions with investee companies in Mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

### 30. FIRST-TIME ADOPTION OF THE REGULATIONS

The Corporation's date of transition to the Regulations was January 1, 2012. The impact of the transition to the Regulations on the Corporation's balance sheets and statements of comprehensive income is stated as follows:

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

ROC GAAP		Impact of Transition to the Regulations		Regulations		Note
Item	Amount	Presentation Difference	Recognition and Measurement Difference	Amount	Item	
<u>Assets</u>						
Cash and cash equivalents	\$ 162,368	\$ (3,837)	\$ -	\$ 158,531	Cash and cash equivalents	8
-	-	145,356	-	145,356	Debt investments with no active market - current	8
Deferred income tax assets - current	6,923	(6,923)	-	-	-	1
Pledged time deposits	143,299	(143,299)	-	-	-	8
Investments accounted for using equity method	400,444	-	(2,647)	397,797	Investments accounted for using equity method	5
Debt investments with no active market - noncurrent	-	1,780	-	1,780	Debt investments with no active market - noncurrent	8
Properties	327,446	9,276	-	336,722	Property, plant and equipment	6
Intangible assets	-	786	-	786	Intangible assets	6
Deferred tax assets - noncurrent	6,607	14,550	(1,243)	19,914	Deferred tax assets	1, 2, 3
Deferred income charges	10,062	(10,062)	-	-	-	6
<u>Liabilities</u>						
Accrued expenses	92,240	-	3,588	95,828	Accrued expenses (included in other payables)	2
Accrued pension liabilities	111,575	-	(7,039)	104,536	Accrued pension liabilities	3
Deferred tax liabilities	-	7,627	(590)	7,037	Deferred tax liabilities	1, 5
<u>Equities</u>						
Special reserve	-	-	17,619	17,619	Special reserve	9
Unappropriated earnings	429,978	-	(126)	429,852	Unappropriated earnings	2, 3, 5
Cumulative translation adjustments	17,619	-	(17,619)	-	Exchange differences on translating foreign operations	9
Unrecognized net loss on pension cost	(277)	-	277	-	-	5

#### b. Reconciliation of the balance sheet as of December 31, 2012

		Impact of Transition to the Regulations				
ROC GAAP			Recognition and Measurement	Regulations		
Item	Amount	Presentation Difference	Difference	Amount	Item	Note
<u>Assets</u>						
Cash and cash equivalents	\$ 225,224	\$ (18,489)	\$ -	\$ 206,735	Cash and cash equivalents	8
Debt investments with no active market - current	-	109,841	-	109,841	Debt investments with no active market - current	8
Account receivables	1,035,720	-	84,107	1,119,827	Accounts receivable	4
Inventories	483,522	-	(42,312)	441,210	Inventories	4
Prepayment for purchases	103,458	-	15,171	118,629	Prepayment for purchases (included in prepayments)	4
-	-	40,621	-	40,621	Prepayment for equipment (included in prepayments)	7
Deferred income tax assets - current	8,392	(8,392)	-	-	-	1
Pledged time deposits	175,467	(175,467)	-	-	-	8
Investments accounted for using equity method	421,433	-	501	421,934	Investments accounted for using equity method	5
Debt investments with no active market - noncurrent	-	84,115	-	84,115	Debt investments with no active market - noncurrent	8
Properties	382,784	(38,038)	-	344,746	Property, plant and equipment	6, 7
Intangible assets	-	500	-	500	Intangible assets	6
Deferred tax assets - noncurrent	-	15,589	1,088	16,677	Deferred tax assets	1, 2, 3
Deferred charges	3,083	(3,083)	-	-	-	6

(Continued)

ROC GAAP		Impact of Transition to the Regulations		Regulations		Note
		Presentation Difference	Recognition and Measurement Difference			
Item	Amount					
<u>Liabilities</u>						
Accounts payable	\$ 874,220	\$ -	\$ 65,912	\$ 940,132	Accounts payable	4
Accrued expenses	50,018	-	3,669	53,687	Accrued expenses (included in other payables)	2
Advances received	56,434	-	2,024	58,458	Advances received	4
Accrued pension liabilities	110,716	-	5,095	115,811	Accrued pension liabilities	3
Deferred income tax liabilities	848	7,197	(590)	7,455	Deferred tax liabilities	1, 5
<u>Equities</u>						
Special reserve	-	-	17,619	17,619	Special reserve	9
Unappropriated earnings	454,430	-	(17,897)	436,533	Unappropriated earnings	2, 3, 4, 5
Cumulative translation adjustments	4,931	-	(17,581)	(12,650)	Exchange differences on translating foreign operations	5, 9
Unrecognized net loss on pension cost	(303)	-	303	-		5

(Concluded)

(Concluded)

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

ROC GAAP		Impact of Transition to the Regulations		Regulations		Note
		Presentation Difference	Recognition and Measurement Difference			
Item	Amount			Amount	Item	
Net operating revenues	\$3,809,154	\$ -	\$ (46,345)	\$3,762,809	Net operating revenues	4
Operating cost	3,081,609	-	(35,376)	3,046,233	Operating cost	4
Operating expenses	672,575	-	2,746	675,321	Operating expenses	2, 3
Investment income recognized under equity method, net	33,161	-	3,519	36,680	Share of profit or loss of subsidiaries, associates and joint ventures	5
Income tax	12,640	-	(2,329)	10,311	Income tax	2, 3, 4
-	-	-	-	(11,153)	Exchange differences on translating foreign operations	Note
-	-	-	-	62	Unrealized gain from available-for-sale financial assets	Note
-	-	-	-	(9,469)	Actuarial gain (loss) from defined benefit plans	Note
-	-	-	-	(1,960)	Share of other comprehensive income of subsidiaries, associates and joint ventures	Note

Note: The differences between income statement under ROC GAAP and other comprehensive income statement under the Regulations were presentation difference.

d. Exemptions

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

Investments in subsidiaries, associates and joint ventures

The Corporation elected to measure the investments in subsidiaries, associates and joint ventures acquired before the date of transition, at the same carrying amount as recognized under ROC GAAP as of December 31, 2011.

### Employee benefits

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

### Cumulative translation differences

The Corporation elected to reset the cumulative translation differences to zero at the date of transition to IFRSs and adjusted retained earnings accordingly. Gains or losses of a subsequent disposal of any foreign operations will exclude the translation differences that arose before the date of transition to IFRSs.

### Assets and liabilities of subsidiaries, associates and joint ventures

The Corporation became a first-time adopter later than certain subsidiaries and associates. Thus, in the financial statements, such investees' assets and liabilities are measured at the same carrying amounts as in their respective financial statements, after adjusting for equity accounting adjustments.

The effect of the abovementioned optional exemptions elected by the Corporation was stated in the following Note e - Explanations of significant reconciling items in the transition to the Regulations.

#### e. Explanations of significant reconciling items in the transition to the Regulations;

Material differences between the accounting policies under ROC GAAP and the Regulation were as follows:

##### 1) Deferred income tax assets/liability and valuation allowance

Under ROC GAAP, valuation allowance is provided if it is more likely than not that deferred income tax assets will not be realized. Under the Regulations, deferred income tax assets are recognized only to the extent that it is highly probable that taxable profits will be available against which deductible temporary differences can be used; thus, valuation allowance is not needed.

Under ROC GAAP, deferred income tax assets or liabilities are classified as current or noncurrent in accordance with the classifications of their related assets and liabilities. If a deferred tax asset or liability cannot be related to an asset or a liability in the financial statements, it is classified as current or noncurrent on the basis of the expected reversal date of the temporary difference. Under the Regulations, deferred income tax assets and liabilities are always classified as noncurrent.

Under ROC GAAP, deferred income tax liabilities - current and deferred income tax assets - current of the same taxpayer should be offset against each other; this offset also applies to deferred income tax liabilities - noncurrent and deferred income tax assets - noncurrent. Under the Regulations, current tax liabilities should be offset against current tax assets, with this offset required to be shown in the balance sheet, only (a) if the entity has the legal right and the intention to make this offset and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities that intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

Thus, the Corporation reclassified deferred income tax assets - current, amounting to \$8,392 thousand and \$6,923 thousand, respectively, to deferred income tax assets - noncurrent and increased noncurrent deferred income tax assets and deferred income tax liabilities by \$7,197 thousand and \$7,627 thousand each, respectively, as of December 31, 2012 and January 1, 2012.

2) Employee benefits - short-term paid leave

Under ROC GAAP, short-term paid leave is usually recorded when incurred. Under the Regulations, accumulated compensated absences should be recognized when the employees render services that increase their entitlement to future compensated absences.

As of December 31, 2012 and January 1, 2012, the Corporation's accrued expenses were adjusted for an increase of \$3,669 thousand and \$3,588 thousand, respectively. As of December 31, 2012 and January 1, 2012, deferred income tax assets were adjusted for an increase of \$14 thousand and \$0 thousand, and unappropriated earnings were adjusted for a decrease of \$3,655 thousand and \$3,588 thousand, respectively. Salaries and income tax expense for the year ended December 31, 2012 were adjusted for increase of \$81 thousand and decrease of \$14 thousand, respectively.

3) Employee benefits - actuarial gains and losses on defined benefit pension plan

Under ROC GAAP, the unrecognized net benefit obligation that resulted from the adoption of SFAS No. 18 should be amortized on a straight-line basis over the average remaining employees' service period and included in pension cost. After transferring to the Regulations, the transitional regulation of IAS No. 19 "Employee Benefits" is not applicable, and therefore, the unrecognized transition net benefit obligation should be written off into retained earnings directly.

Under ROC GAAP, the Corporation recognizes actuarial gains and losses through the corridor approach. Actuarial gains and losses are amortized over the average remaining service lives of the employees who are still in service and expected to receive pension benefits. After transferring to the Regulations, actuarial gains and losses should be recognized immediately as other comprehensive income and loss and should not be reclassified to profit or loss in subsequent periods.

As of December 31, 2012 and January 1, 2012, the Corporation performed the actuarial valuation under IAS No. 19 - "Employee Benefits" and adjusted related accounts under IFRS 1 "First-time Adoption of International Financial Reporting Standards." As a result, accrued pension cost were adjusted for an increase of \$5,095 thousand and a decrease of \$7,039 thousand, respectively, deferred income tax assets were adjusted for a decrease of \$791 thousand and \$1,243 thousand, respectively, and unappropriated earnings were adjusted for a decrease of \$5,886 thousand and increase of \$5,796 thousand, respectively. Salaries and income tax expense for the year ended December 31, 2012 were adjusted for an increase of \$2,665 thousand and a decrease of \$451 thousand, respectively.

4) Maintenance contract completed within one year

Under ROC GAAP, the Corporation uses the completed-contract method when the costs and revenues cannot be reasonably estimated or when the contract period is less than one year. After transferring to the Regulations, according to IAS No. 18 "Revenue", the scope of adoption of the percentage of completion method of accounting is not limited to service contracts with period of more than one year, and it does not allow the use of the completed-contract method.

As of December 31, 2012, as a result of the differences mentioned above, accounts receivable were adjusted for an increase of \$84,107 thousand; inventories were adjusted for a decrease of \$42,312 thousand; prepayments were adjusted for an increase of \$15,171 thousand; deferred tax assets were adjusted for an increase of \$1,865 thousand; accounts payable were adjusted for an increase of \$65,912 thousand; advances received were adjusted for an increase of \$2,024 thousand; unappropriated earnings were adjusted for a decrease of \$9,105 thousand. In addition, revenues were adjusted for a decrease of \$46,345 thousand; costs were adjusted for a decrease of \$35,376 thousand; income tax expenses were adjusted for a decrease of \$1,864 thousand for the year ended December 31, 2012.

5) Investments accounted for using the equity method

The Corporation has evaluated significant differences between current accounting policies and the Regulations for the Corporation's subsidiaries, associates, and joint ventures accounted for using the equity method. The significant difference is mainly due to the adjustment to employee benefits.

In addition, if the investor subscribes to additional shares of subsidiaries, associates, and joint ventures that is disproportionate to its existing ownership percentage and results in a decrease in the investor's ownership percentage in the associate and joint venture, the resulting carrying amount of the investment differs from the amount of the investor's share in the equity of the associates and joint venture. Under ROC GAAP, the investor records such a difference as an adjustment to the carrying amount of the investment with the corresponding amount charged or credited to capital surplus. Under the Regulations, such a difference is still adjusted to carrying amount of the investment and capital surplus. If the investor's ownership interest in an associate and joint venture decreases, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture shall be reclassified to profit or loss on the same basis as would be required if the associate and joint venture had directly disposed of the related assets or liabilities.

As of December 31, 2012 and January 1, 2012, as a result of the differences mentioned above, investments accounted for using the equity method were adjusted for an increase of \$501 thousand and a decrease of \$2,647 thousand, respectively; deferred tax liabilities were adjusted for a decrease of \$590 thousand; unappropriated earnings were adjusted for an increase of \$749 thousand and a decrease of \$2,334 thousand; foreign currency translation reserve were adjusted for an increase of \$38 thousand and \$0 thousand, respectively; net loss not recognized as pension costs were adjusted for a decrease of \$303 thousand and \$277 thousand. Equity in earnings of equity method investees were adjusted for an increase of \$3,519 thousand for the year ended December 31, 2012.

6) Reclassification of deferred charges

Under ROC GAAP, deferred charges are classified under other assets. Under the Regulations, deferred charges should be reclassified to property, plant and equipment, intangible assets, prepayments, and long-term prepayments according to their nature.

As of December 31, 2012 and January 1, 2012, the Corporation's intangible assets were adjusted for an increase of \$500 thousand and \$786 thousand, respectively, and property, plant and equipment was adjusted for an increase of \$2,583 thousand and \$9,276 thousand, respectively.

7) Prepayments for equipment

Under ROC GAAP, prepayments for equipment are classified under property, plant and equipment. Under the Regulations, prepayments for equipment should be reclassified under prepayments or long-term prepayments.

As of December 31, 2012, the Corporation reclassified \$40,621 thousand from prepayments for equipment to prepayments - current.

8) Time deposits with maturities of more than three months from the investment date

Under ROC GAAP, time deposits that are cancelable without any loss of principal are classified as cash and cash equivalents. However, under the Regulations, time deposits with original maturity over three months are usually not classified as cash and cash equivalents. Time deposits with original maturity over three months are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market; therefore the Corporation classified these time deposits to debt investments with no active market.

As of December 31, 2012 and January 1, 2012, the time deposits with maturities of more than three months in the amounts of \$18,489 thousand and \$3,837 thousand were reclassified to debt investments with no active market - current, respectively, and pledged time deposits with maturities of more than three months in the amounts of \$91,352 thousand and \$141,519 thousand were reclassified to debt investments with no active market - current, respectively. As of December 31, 2012 and January 1, 2012, debt investments with no active market - noncurrent were adjusted for an increase of \$84,115 thousand and \$1,780 thousand, respectively; pledge time deposits were adjusted for a decrease of \$175,467 thousand and \$143,299 thousand, respectively.

- 9) Under Rule No. 1010012865 issued by the FSC on April 6, 2012, on the first-time adoption of IFRSs, a company should appropriate to a special reserve the sum of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the company's use of exemptions under IFRS 1. However, at the date of transitions to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is less than the sum of the revaluation and translation differences, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed.

On January 1, 2012, the first-time adoption of the Regulations, the amount of cumulative translation adjustments adjusted to unappropriated earnings was \$17,619 thousand, and the Corporation recorded the same amount to special reserve.

## SYSKOM COMPUTER ENGINEERING CO.

## FINANCING PROVIDED TO OTHERS

YEAR ENDED DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars, U.S. Dollars and Thai Baht (Unless Stated Otherwise))

No.	Lender	Borrower	Financial Statement Account	Related Parties	Maximum Balance for the Period (Note 1)	Ending Balance (Note 2)	Ending Used Balance	Interest Rate (Note 3)	Type of Financing	Transaction Amount	Reason for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
													Item	Value		
0	Syskom Computer Engineering Co.	Casemaker Inc.	Other receivables	Y	\$ 149,025 thousand (equivalent to US\$5,000 thousand)	\$ -	\$ -	2.47%	Necessary for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	10% of net worth (NT\$169,008 thousand)	20% of net worth (NT\$338,017 thousand)

Note 1: Maximum balance for the period was the maximum financing provided to others for the year ended December 31, 2013.

Note 2: The ending balance is the financing credit lines of counterparties approved by Syskom Computer Engineering Co.

Note 3: The foreign currency amounts were translated into New Taiwan dollar at the prevailing at exchange rate as of December 31, 2013.



## SYSCOM COMPUTER ENGINEERING CO.

## ENDORSEMENTS/GUARANTEES PROVIDED

YEAR ENDED DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars, U.S. Dollars and Thai Baht Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guaranteee		Limits on Each Guaranteed Party's Endorsement/ Guarantee Amounts (Note 1)	Maximum Balance for the Period	Ending Balance	Ending Used Balance	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/ Guarantee Amounts Allowable (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on behalf of Companies in Mainland China
		Name	Nature of Relationship										
0	Syscom Computer Engineering Co.	Syscom Computer (Shenzhen) Co., Ltd.	Indirect subsidiary	20% of net worth, \$338,017	\$ 190,572 (US\$ 6,400)	\$ 71,532	\$ -	-	11.29%	50% of net worth, \$845,042	Yes	No	Yes
		Netmaker Technology Co.	Subsidiary	Same as above	130,000	-	-	-	7.69%	Same as above	Yes	No	No
		WiseMaker Technology Co.	Subsidiary	Same as above	38,000	-	-	-	2.25%	Same as above	Yes	No	No
		Casemaker, Inc.	Subsidiary	Same as above	35,766 (US\$ 1,200)	-	-	-	2.12%	Same as above	Yes	No	No
		Syscom Computer (Thailand) Co., Ltd.	Subsidiary	Same as above	7,450 (THB 7,150)	-	-	-	0.39%	Same as above	Yes	No	No

Note 1: The above amounts were translated into New Taiwan dollar at the prevailing exchange rate as of December 31, 2013.

## SYSCOM COMPUTER ENGINEERING CO.

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars, U.S. Dollars and Thai Baht Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2013				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Syscom Computer Engineering Co.	Beneficiary certificates	-	Available-for-sale financial assets - current	100	\$ 1,014	-	\$ 1,014	Note 2
	Yuantai Taiwan Stock Index Fund	-	Same as above	814	10,036	-	10,036	Note 2
	Mirae Asset Solomon Money Market Fund	-	Same as above	2,788	30,011	-	30,011	Note 2
	CTBC Hwa-win Money Market Fund	-	Same as above	1,505	20,003	-	20,003	Note 2
	Eastspring Inv Well Pool Money Market Concord Dream	-	Same as above	100	999	-	999	Note 2
Casemaker, Inc.	Common stocks	The Company is its director	Financial assets carried at cost - noncurrent	1,000	3,150	9.09	2,371	Note 3
	Engsound Technical enterprise Co., Ltd.		Same as above	286	-	1.01	38	Note 3
	Atlas Internet & Life International, Inc.		Available-for-sale financial assets - noncurrent	157	1,580	0.01	1,580	Note 1
	Masterlink Securities Co., Ltd.							
Coach Tech Management Co.,	Common stocks	-	Financial assets carried at cost - noncurrent	-	439	19.00	-	Note 3
	CI Japan	-						
Netmaker Technology Co.	Beneficiary certificates	-	Available-for-sale financial assets - current	63	1,001	-	1,001	Note 2
	Hua Nan Phoenix Bond Fund	-						
WiseMaker Technology Co.	Beneficiary certificates	-	Available-for-sale financial assets - current	95	1,500	-	1,500	Note 2
	Capital Money Market	-						
	Beneficiary certificates	-	Available-for-sale financial assets - current	80	1,306	-	1,306	Note 2
	UPAMC James Bond Fund	-	Same as above	152	2,006	-	2,006	Note 2
	Fuh Hwa You Li Money Market Capital Money Market	-	Same as above	446	7,037	-	7,037	Note 2

Note 1: The calculation of the net asset value was based on the investees' audited financial statements as of December 31, 2013.

Note 2: The basis of market value: For listed stocks, closing price as of December 31, 2013.

Note 3: Amount was based on the net asset value of the fund as of December 31, 2013.

Note 4: The calculation of the net asset value was based on the investees' latest unaudited financial statements.

Note 5: The above stocks and beneficiary certificates were not provided as guarantee.

(Concluded)

## SYSYCOM COMPUTER ENGINEERING CO.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 YEAR ENDED DECEMBER 31, 2013  
 (In Thousands of New Taiwan Dollars, U.S. Dollars and Thai Baht Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2013		Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2013	December 31, 2012	Shares (Thousands)	Percentage of Ownership			
Syscom Computer Engineering Co.	Dimension Computer Technology Co., Ltd.	Taipei	Wholesale and retail of information software, electronic devices and machinery equipment.	\$ 39,284	\$ 39,284	6,759	17.62	\$ (5,559)	\$ 128	Equity-method investee
	CASEMaker, Inc.	California	Sale of computer software and related products.	US\$ 1,300	US\$ 1,300	1,300	100.00	961	961	Subsidiary
	Syscom International Inc.	Cayman Islands	Investment	US\$ 3,200	US\$ 3,200	3,200	100.00	(15,546)	(15,546)	Subsidiary
	Netmaker Technology Co.	Taipei	Provision of services on information software, data processing and electronic information.	15,100	15,100	2,492	75.50	735	555	Subsidiary
	WiseMaker Technology Co.	Taipei	Provision of services on information software, data processing and electronic information.	41,675	41,675	2,664	98.68	5,909	5,831	Subsidiary
	DBMaker Japan Inc.	Tokyo	Sale of computer software and related products	JPY 53,260	JPY 53,260	5	49.89	1,982	989	Equity-method investee
Coach Tech Management Co.	Syscom Vietnam Co., Ltd.	Vietnam	Consultation and administration of computer system, consultation on computer science and technology and other related computer services	US\$ 400	US\$ 400	-	100.00	1,727	1,727	Subsidiary
	Coach Tech Management Co.	Taipei	Business management consulting.	19,200	19,200	1,950	97.50	(1,828)	(1,782)	Subsidiary
	Syscom Computer (Thailand) Co., Ltd.	Thailand	Development and maintenance software.	THB 30,894	THB 30,894	3,160	89.77	4,910	4,408	Subsidiary
	CloudMaster Co., Ltd.	Taipei	Provision of services on information software, data processing and electronic information.	65,000	-	6,500	50.00	(10,098)	(5,049)	Equity-method investee
	Syscom Computer (Thailand) Co., Ltd.	Thailand	Development and maintenance software.	THB 200	THB 200	20	0.57	4,910	Not applicable	Subsidiary

Note: The foreign currency amount of the net income of the investee is expressed in New Taiwan dollars at the average exchange rate in 2013.

## SYSCOM COMPUTER ENGINEERING COMPANY

## INVESTMENT IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2013

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2013	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2013	Net Income (Loss) of the Investment (Note 2)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2013 (Note 2)	Accumulated Inward Remittances of Earnings as of December 31, 2013
					Outflow	Inflow						
Syscom Computer (Shenzhen) Co., Ltd.	Development and manufacture of computer equipment and computer software; sale of self manufactured products and provision of technical services	\$ 89,417 (US\$ 3,000)	Note 1	\$ 79,579 (US\$ 2,670)	-	\$ -	\$ 79,579 (US\$ 2,670)	\$ (17,466) (US\$ (586))	97.40%	\$ (17,019) (US\$ (571))	\$ 121,277 (US\$ 4,069)	\$ -
Xian Lian Computer Company	Development and manufacture of computer equipment and computer software; sale of self manufactured products and provision of technical services	19,373 (US\$ 750)	Note 1	5,007 (US\$ 168)	-	-	5,007 (US\$ 168)	298 (US\$ 10) (Note 2)	48.11%	149 (US\$ 5)	15,230 (US\$ 511)	-

Accumulated Investment in Mainland China as of December 31, 2013	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 3)
\$ 84,587 (US\$ 2,838)	\$ 84,587 (US\$ 2,838) (Note 1(b))	\$1,014,050
-	12,995 (US\$ 436) (Note 1(a))	

Note 1: (a) An investee of CASEMaker, Inc., a wholly owned subsidiary of Syscom Computer Engineering Company and dividend from paid capital.

(b) An investee of Syscom International Inc., a wholly owned subsidiary of Syscom Computer Engineering Company.

Note 2: The calculation was based on the investees' audited financial statements as of December 31, 2013.

Note 3: The upper limit is calculated as follows:

$$60\% \text{ of the stockholders' equity} = \$1,690,083 \times 60\% = \$1,014,050$$

Note 4: The foreign currency amounts of original investment amount and carrying value were translated into New Taiwan dollar at the exchange rate as of December 31, 2013.