CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2013 AND 2012

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

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Chicony Power Technology Co., Ltd.

We have audited the consolidated balance sheets of Chicony Power Technology Co., Ltd. and its subsidiaries as of December 31, 2013, December 31, 2012, and January 1, 2012, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2013 and 2012, expressed in thousands of New Taiwan dollars. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain wholly-owned consolidated subsidiaries and investments recognised under the equity method that are included in the consolidated financial statements. The total assets of those subsidiaries amounted to NT$208,239 thousand as of December 31, 2013, constituting 1.25% of total consolidated assets, and their total revenues were NT$272,982 thousand for the year then ended, constituting 1.09% of the total consolidated revenues. The investments recognised under the equity method as of December 31, 2013 was NT$331,937 thousand, constituting 2.00% of total consolidated assets. Their comprehensive income for the year ended December 31, 2013（including income and comprehensive income from affiliates and joint ventures under equity method） was NT$3,574 thousand, constituting 0.36% of total consolidated comprehensive income. Those financial statements and the information disclosed in Notes 6(7) and 13 were audited by other independent accountants whose reports thereon were furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

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

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In our opinion, based on our audits and the reports of other independent accountants, the consolidated financial statements referred to in the first paragraph, present fairly, in all material respects, the financial position of Chicony Power Technology Co., Ltd. and its subsidiaries as of December 31, 2013, December 31, 2012, and January 1, 2012, and their financial performance and cash flows for the years ended December 31, 2013 and 2012 in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of Chicony Power Technology Co., Ltd. (not presented herein) as of and for the years ended December 31, 2013 and 2012, on which we have expressed a modified unqualified opinion and unqualified opinion on such financial statements respectively.

PricewaterhouseCoopers, Taiwan

March 10, 2014

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

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in Thousands of New Taiwan Dollars)

	Assets	Notes	December 31, 2013 AMOUNT	%	December 31, 2012 AMOUNT	%	January 1, 2012 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 388,956	2	$ 396,489	3	$ 375,697	3
1110	Financial assets at fair value through profit or loss - current	6(2)	7,554	-	18,050	-	24,904	-
1125	Available-for-sale financial assets - current	6(3)	601,717	4	313,890	2	556,594	4
1150	Notes receivable, net		187	-	687	-	911	-
1170	Accounts receivable, net	6(4)	7,472,437	45	6,798,059	46	5,416,513	42
1180	Accounts receivable - related parties	7	557,820	3	259,937	2	180,644	2
1200	Other receivables		171,221	1	137,663	1	353,911	3
1210	Other receivables - related parties	7	27,812	-	16,174	-	-	-
130X	Inventories	5(2) and 6(5)	3,349,870	20	3,120,661	21	2,710,945	21
1410	Prepayments		132,053	1	215,752	2	85,481	1
1470	Other current assets		5,102	-	4,305	-	2,744	-
11XX	**Current Assets**		12,714,729	76	11,281,667	77	9,708,344	76
	Non-current assets							
1523	Available-for-sale financial assets - noncurrent	6(3)	112,838	1	144,218	1	314,036	2
1543	Financial assets carried at cost - noncurrent	5(2) and 6(6)	-	-	9,519	-	-	-
1550	Investments accounted for under equity method	6(7)	331,937	2	283,976	2	296,313	2
1600	Property, plant and equipment	6(8)	2,591,144	16	2,598,380	17	2,256,237	18
1780	Intangible assets	6(9)	35,306	-	22,231	-	19,276	-
1840	Deferred income tax assets	5(2) and 6(25)	161,033	1	118,961	1	49,005	-
1900	Other non-current assets	6(10) and 8	683,856	4	260,256	2	199,783	2
15XX	**Non-current assets**		3,916,114	24	3,437,541	23	3,134,650	24
1XXX	**Total assets**		$ 16,630,843	100	$ 14,719,208	100	$ 12,842,994	100

(Continued)

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in Thousands of New Taiwan Dollars)

	Liabilities and Equity	Notes	December 31, 2013 AMOUNT	%	December 31, 2012 AMOUNT	%	January 1, 2012 AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(11)	$ 143,016	1	$ 1,304,436	9	$ 923,240	7
2110	Short-term notes and bills payable	6(12)	-	-	-	-	300,000	3
2120	Financial liabilities at fair value through profit or loss - current	6(2)	11,162	-	-	-	884	-
2150	Notes payable		191	-	211	-	200	-
2170	Accounts payable	6(13)	7,508,094	45	5,849,237	40	4,636,832	36
2180	Accounts payable - related parties	7	177	-	416	-	333	-
2200	Other payables		1,404,121	8	1,179,747	8	1,056,120	8
2220	Other payables - related parties	7	3,765	-	34,733	-	27,359	-
2230	Current income tax liabilities	6(25)	185,944	1	127,278	1	144,683	1
2300	Other current liabilities	6(14)	90,331	1	59,598	-	1,886,857	15
21XX	**Current Liabilities**		9,346,801	56	8,555,656	58	8,976,508	70
	Non-current liabilities							
2540	Long-term borrowings	6(14)	923,645	6	1,541,281	11	-	-
2550	Provisions for liabilities - noncurrent	6(16)	324,176	2	-	-	-	-
2600	Other non-current liabilities	6(15)	34,393	-	23,414	-	12,413	-
25XX	**Non-current liabilities**		1,282,214	8	1,564,695	11	12,413	-
2XXX	**Total Liabilities**		10,629,015	64	10,120,351	69	8,988,921	70
	Equity attributable to shareholders of the parent							
	Share capital	6(17)						
3110	Share capital - common stock		3,533,786	21	3,257,969	22	2,761,839	21
	Capital surplus	6(18)						
3200	Capital surplus		1,007,186	6	239,050	2	205,490	2
	Retained earnings	6(19)						
3310	Legal reserve		248,928	2	157,671	1	74,882	-
3320	Special reserve		605,751	4	205,324	1	205,324	2
3350	Unappropriated retained earnings		842,201	5	1,172,267	8	910,087	7
	Other equity interest	6(20)						
3400	Other equity interest		(236,024)	(2)	(433,424)	(3)	(303,549)	(2)
31XX	**Equity attributable to owners of the parent**		6,001,828	36	4,598,857	31	3,854,073	30
3XXX	**Total equity**		6,001,828	36	4,598,857	31	3,854,073	30
	Commitments and Contingent Liabilities	9						
	Significant Subsequent Events	11						
	Total liabilities and equity		$ 16,630,843	100	$ 14,719,208	100	$ 12,842,994	100

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 10, 2014.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in Thousands of New Taiwan Dollars, except Earnings Per Share)

			Year ended December 31			
			2013		2012	
		Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	7	$ 25,056,004	100	$ 23,616,290	100
5000	**Operating costs**	6(5)(24) and 7	(21,279,466)	(85)	(20,451,133)	(86)
5900	**Net operating margin**		3,776,538	15	3,165,157	14
	Operating expenses	6(24) and 7				
6100	Selling expenses		(861,837)	(4)	(754,765)	(3)
6200	General & administrative expenses		(612,318)	(2)	(514,673)	(2)
6300	Research and development expenses		(1,004,674)	(4)	(826,829)	(4)
6000	**Total operating expenses**		(2,478,829)	(10)	(2,096,267)	(9)
6900	**Operating profit**		1,297,709	5	1,068,890	5
	Non-operating income and expenses					
7010	Other income	6(21)	114,177	-	156,259	1
7020	Other gains and losses	6(22)	(313,536)	(1)	(129,022)	(1)
7050	Finance costs	6(23)	(58,628)	-	(47,315)	-
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(7)	3,836	-	(4,105)	-
7000	**Total non-operating income and expenses**		(254,151)	(1)	(24,183)	-
7900	**Profit before income tax**		1,043,558	4	1,044,707	5
7950	Income tax expense	6(25)	(241,111)	(1)	(141,480)	(1)
8200	**Profit for the year**		$ 802,447	3	$ 903,227	4
	Other comprehensive income					
8310	Cumulative translation differences of foreign operations		$ 105,494	1	($ 31,897)	-
8325	Unrealized gain (loss) on valuation of available-for-sale financial assets	6(3)	92,168	-	(96,878)	(1)
8360	Actuarial loss on defined benefit plan	6(15)	(1,962)	-	(5,890)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for under equity method		(262)	-	(1,100)	-
8500	**Total comprehensive income for the year**		$ 997,885	4	$ 767,462	3
	Earnings per share (NT$)	6(26)				
9750	**Basic earnings per share**		$	2.42	$	2.79
9850	**Diluted earnings per share**		$	2.39	$	2.77

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 10, 2014.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Thousands of New Taiwan Dollars)

		Equity attributable to owners of the parent							
				Retained Earnings			Other equity interest		
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total equity
Year 2012									
Balance at January 1, 2012		$ 2,761,839	$ 205,490	$ 74,882	$ 205,324	$ 910,087	$ -	($ 303,549)	$ 3,854,073
Appropriation and distribution of 2011 earnings	6(17)(18)								
Appropriation of legal reserve		-	-	82,789	-	(82,789)	-	-	-
Cash dividends		-	-	-	-	(138,092)	-	-	(138,092)
Stock dividends		414,276	-	-	-	(414,276)	-	-	-
Appropriation of employee bonuses	6(17)(18)	81,854	33,560	-	-	-	-	-	115,414
Profit for the year		-	-	-	-	903,227	-	-	903,227
Other comprehensive loss for the year	6(15)(20)	-	-	-	-	(5,890)	(32,997)	(96,878)	(135,765)
Balance at December 31, 2012		$ 3,257,969	$ 239,050	$ 157,671	$ 205,324	$ 1,172,267	($ 32,997)	($ 400,427)	$ 4,598,857
Year 2013									
Balance at January 1, 2013		$ 3,257,969	$ 239,050	$ 157,671	$ 205,324	$ 1,172,267	($ 32,997)	($ 400,427)	$ 4,598,857
Appropriation and distribution of 2012 earnings	6(17)(18)								
Appropriation of legal reserve		-	-	91,257	-	(91,257)	-	-	-
Appropriation of special reserve		-	-	-	400,427	(400,427)	-	-	-
Cash dividends		-	-	-	-	(602,724)	-	-	(602,724)
Stock dividends		16,290	-	-	-	(16,290)	-	-	-
Cash dividends from capital surplus	6(18)	-	(32,579)	-	-	-	-	-	(32,579)
Changes in equity of associates and joint ventures accounted for using equity method		-	-	-	-	(19,853)	-	-	(19,853)
Appropriation of employee bonuses	6(17)(18)	19,527	41,593	-	-	-	-	-	61,120
Profit for the year		-	-	-	-	802,447	-	-	802,447
Other comprehensive income for the year	6(15)(20)	-	-	-	-	(1,962)	105,232	92,168	195,438
Issuance of shares	6(17)(18)	240,000	759,122	-	-	-	-	-	999,122
Balance at December 31, 2012		$ 3,533,786	$ 1,007,186	$ 248,928	$ 605,751	$ 842,201	$ 72,235	($ 308,259)	$ 6,001,828

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 10, 2014.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Thousands of New Taiwan Dollars)

	Notes	For the years ended December 31 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		$ 1,043,558	$ 1,044,707
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation expense	6(8)(24)	432,529	339,105
Amortization expense	6(9)(24)	18,699	23,816
Other non-current assets transferred to expenses	6(24)	61,246	45,735
Long-term prepaid rents transferred to expenses	6(24)	4,891	2,190
(Reversal of) provision for bad debt expense	6(22)	(39,352)	3,710
Interest income	6(21)	(12,210)	(12,470)
Dividend income	6(21)	(10,123)	(15,256)
Interest expense	6(23)	58,628	47,315
Impairment loss on financial assets	6(6)(22)	11,611	35,499
Loss on disposal of property, plant and equipment	6(22)	25,584	802
Loss on disposal of intangible assets	6(9)	47	-
Loss (gain) on disposal of investments	6(22)	(34,254)	74,649
Provisions for liabilities	6(16)(22)	324,176	-
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(2)(22)	44,587	(108,841)
Share of loss (profit) of associates and joint ventures accounted for using equity method	6(7)	(3,836)	4,105
Issuance of shares - compensatory cost	6(18)	5,138	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Decrease (increase) in financial assets or liabilities held for trading		(22,678)	114,199
Notes receivable, net		500	224
Accounts receivable, net		(628,665)	(1,391,442)
Accounts receivable - related parties		(297,883)	(79,293)
Other receivables		(33,558)	216,025
Other receivables - related parties		(11,638)	(16,174)
Inventories		(229,209)	(409,716)
Prepayments		83,699	(130,271)
Other current assets		(797)	(1,561)
Other non-current assets		-	(81)
Net changes in liabilities relating to operating activities			
Notes payable		(20)	11
Accounts payable		1,485,571	1,395,225
Accounts payable - related parties		(239)	83
Other payables		286,250	238,734
Other payables - related parties		(30,968)	7,374
Other current liabilities		30,733	7,861
Accrued pension liabilities		568	448
Other non-current liabilities		-	(1,804)
Cash provided by operations		2,562,585	1,434,908
Interest received		12,210	12,693
Dividends received		10,123	17,317
Interest paid		(59,384)	(47,008)
Income tax paid	6(25)	(223,691)	(227,002)
Net cash provided by operating activities		2,301,843	1,190,908

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CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Thousands of New Taiwan Dollars)

	Notes	For the years ended December 31 2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of available-for-sale financial assets - current		($ 704,298)	$ -
Proceeds from disposal of available-for-sale financial assets - current		574,971	243,870
Acquisition of financial assets at cost - non-current		(2,092)	(45,018)
Acquisition of investments accounted for using equity method		(64,240)	-
Proceeds from disposal of investments accounted for using equity method		-	2,196
Acquisition of government grants		24,150	41,712
Acquisition of property, plant and equipment	6(8)	(543,136)	(891,809)
Proceeds from disposal of property, plant and equipment		531	-
Acquisition of intangible assets	6(9)	(31,466)	(22,785)
Increase in long-term prepaid rents		(126,567)	(119,600)
Increase in other non-current assets		(121,072)	(41,738)
Net cash used in investing activities		(993,219)	(833,172)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		10,768,344	13,313,093
Decrease in short-term borrowings		(11,950,512)	(12,918,924)
Decrease in short-term notes and bills payable		-	(300,000)
Increase in long-term borrowings		4,589,865	7,500,699
Repayments of long-term borrowings		(5,215,035)	(7,787,930)
Increase in other non-current liabilities		8,449	6,467
Cash dividends paid (Including cash from capital surplus)		(635,303)	(138,092)
Proceeds from issuance of shares		993,984	-
Net cash used in financing activities		(1,440,208)	(324,687)
Effect of exchange rate changes on cash and cash equivalents		124,051	(12,257)
(Decrease) increase in cash and cash equivalents		(7,533)	20,792
Cash and cash equivalents at beginning of year	6(1)	396,489	375,697
Cash and cash equivalents at end of year	6(1)	$ 388,956	$ 396,489

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 10, 2014.

CHICONY POWER TECHNOLOGY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Chicony Power Technology Co., Ltd. (the "Company") was incorporated in 2008 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company went listed on Taiwan Stock Exchange (TWSE) in November, 2013. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in developing, manufaturing and sales of switching power supplies, electronic components and LED lighting equipments. Chicony Electronics Co., Ltd. is the Group's ultimate parent company. As of December 31, 2013, Chicony Electronics Co., Ltd. holds 49.58% equity interest in the Company.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 10, 2014.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

C. The Group has not evaluated the overall effect of the IFRS 9 adoption. However, based on preliminary evaluation, it was noted that the IFRS 9 adoption might have an impact on those instruments classified as 'available-for-sale financial assets' held by the Group, as IFRS 9 specifies that the fair value changes in the equity instruments that meet certain criteria may be reported in other comprehensive income, and such amount that has been recognised in other comprehensive income should not be reclassified to profit or loss when such assets are derecognised. The Group recognised gain (or loss) on debt instruments and on equity instruments amounting to $92,168, in other comprehensive income for the year ended December 31, 2013.

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

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

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

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

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IAS 27,'Separate financial statements' (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, 'Consolidated financial statements'.	January 1, 2013
IAS 28,'Investments in associates and joint ventures' (as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11, 'Joint arrangements', IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	January 1, 2013
IFRS 13, 'Fair value measurement'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013
IAS 19 revised, 'Employee benefits' (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past service costs will be recognised immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expense, is recognised in other comprehensive income.	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	July 1, 2012

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IFRIC 20, ‘Stripping costs in the production phase of a surface mine’	Stripping costs that meet certain criteria should be recognised as the ‘stripping activity asset’. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the entity shall account for the costs of that stripping activity in accordance with IAS 2, ‘Inventories’.	January 1, 2013
Disclosures—Offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right to set off the recognised amounts'; and (ii) that some gross settlement mechanisms with certain features may be considered equivalent to net settlement.	January 1, 2014
Government loans (amendment to IFRS 1)	The amendment provides exception to first-time adopters to apply the requirements in IFRS 9, ‘Financial instruments’, and IAS 20, ‘ Accounting for government grants and disclosure of government assistance’, prospectively to government loans that exist at the date of transition to IFRSs; and first-time adopters should not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant.	January 1, 2013
Improvements to IFRSs 2009-2011	Amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013
Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define ‘Investment Entities’ and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit of loss instead of consolidating them.	January 1, 2014
IFRIC 21, ‘Levies’	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognised in accordance with IAS 37, ‘ Provisions, contingent liabilities and	January 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being novated complies with specified criteria.	January 1, 2014
IFRS 9 "Financial assets: hedge accounting" and amendments to IFRS 9, IFRS 7 and IAS 39	1. IFRS 9 relaxes the requirements for hedged items and hedging instruments and removes the bright line of effectiveness to better align hedge accounting with the risk management activities of an entity. 2. An entity can elect to early adopt the requirement to recognise the changes in fair value attributable to changes in an entity's own credit risk from financial liabilities that are designated under the fair value option in ‘ other comprehensive income’.	November 19, 2013 (Not mandatory)

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Services related contributions from employees or third parties (amendments to IAS 19)	The amendment allows contributions from employees or third parties that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.	July 1, 2014
Improvements to IFRSs 2010-2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.	July 1, 2014
Improvements to IFRSs 2011-2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	July 1, 2014

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

A. These consolidated financial statements are the first consolidated financial statements prepared by the Group in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

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

(2) Basis of preparation

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

(a) Financial assets and financial liabilities (including derivative instruments) are mearured at fair value through profit or loss.

(b) Available-for-sale financial assets are measured at fair value.

(c) Defined benefit liabilities are recognised based on the net amount of pension fund assets plus unrecognised past service cost and unrecognised actuarial losses, and less unrecognised actuarial gains and present value of defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%) December 31, 2013	December 31, 2012	January 1, 2012	Description
Chicoy Power Technology Co., Ltd	Chicony Power Holdings Inc. (CPH)	Investment holdings	100%	100%	100%	
CPH	Chicony Power International Inc. (CPI)	Sales of switching power supplies and other electronic parts	100%	100%	100%	
CPI	Chicony Power USA, Inc.	Sales of switching power supplies and other electronic parts	100%	100%	100%	
"	Chicony Power Technology Hong Kong Limited (CPHK)	Research and development center	100%	100%	100%	
CPHK	Hipro Electronics (Dong Guan) Co., Ltd. (HDG)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	100%	
"	Chicony Power Technology (Suzhou) Co., Ltd. (CPSZ)	Manufacturing and sales of electronic components and LED lighting eqiupments	100%	100%	100%	
"	Quang Sheng Electronics (Nangchang) Co., Ltd. (GSE)	Manufacturing and sales of electronic components and transformers	100%	100%	100%	
"	Chicony Power Technology (Chong Qing) Co., Ltd. (CPCQ)	Manufacturing and sales of electronic components and LED lighting eqiupments	100%	100%	100%	
"	Chicony Power Technology Trading (Dong Guan) Co., Ltd. (CPDGT)	Importing and exporting of power supplies, LED lighting equipments, and other electronics	100%	-	-	Note
CPSZ	Chicony Energy Saving Technology (Shanghai) Co., Ltd. (CPSH)	Sales of LED lighting equipments	100%	100%	100%	

Notes: CPDGT was incorporated in 2013.

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

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

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

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

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are expected to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

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

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting

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

(8) Available-for-sale financial assets

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

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

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

(9) Loans and receivables

Loans and receivables are non-derivate finacial assets originated from ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of immaterial discount.

(10) Impairment of financial assets

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

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

(a) Significant financial difficulty of the issuer or debtor;

(b) Breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) The disappearance of an active market for that financial asset because of financial difficulties;

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

(a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(c) Available-for-sale financial assets

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

Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method / Associates

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

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

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

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

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

(14) Property, plant and equipment

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

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

C. Land is not depreciated. Other property, plant and equipment are depreciated using the straight-line method to allocate their costs over their estimated useful lives. If each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives for the plant and buildings are 20 years and for the other fixed assets are 1-10 years.

(15) Intangible assets

Intangible assets, mainly trademark, right, patent and computer software, are amortised on a straight-line basis over their estimated useful lives of 1-10 years.

(16) Impairment of non-financial assets

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

(17) Borrowings

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

(18) Notes and accounts payable

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

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

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

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

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Actuarial gains and losses arising on defined benefit plans are recognised.

iii. Past service costs are recognised immediately in profit or loss if vested immediately; if not, the past service costs are amortised on a straight-line basis over the vesting period.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises termination benefits when it is demonstrably committed to a termination, when it has a detailed formal plan to terminate the employment of current employees and when it can no longer withdraw the plan. In the case of an offer made by the Group to encourage voluntary termination of employment, the termination benefits are recognised as expenses only when it is probable that the employees are expected to accept the offer and the number of the employees taking the offer can be reliably estimated. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

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

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

(24) <u>Income tax</u>

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

(25) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(26) Dividends

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

(27) Revenue recognition

The Group revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(28) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are presented by deducting the grants from the asset's carrying amount and are amortised to profit or loss over the estimated useful lives of the related assets as reduced depreciation expenses.

(29) Operating segments

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

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

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

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

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

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Group would recognize the impairment loss on the impaired financial assets measured at cost in profit or loss.

(2) Critical accounting estimates and assumptions

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

A. Realisability of deferred income tax assets

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

As of December 31, 2013, the Group recognised deferred income tax assets amounting to $161,033.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory comsumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2013, the carrying amount of inventories was $3,349,870.

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand and petty cash	$ 27,274	$ 13,222	$ 9,493
Checking accounts and demand	361,682	383,267	164,802
Time deposits	-	-	201,402
Total	$ 388,956	$ 396,489	$ 375,697

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

B. None of the Group’s cash and cash equivalents are pledged as collateral.

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

Items	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held for trading			
Derivatives			
Forward foreign exchange contracts	$ -	$ 3,986	$ 10,806
Interest rate swaps	-	6,701	6,423
Futures contracts	7,554	7,363	7,675
Total	$ 7,554	$ 18,050	$ 24,904
Financial liabilities held for trading			
Derivatives			
Forward foreign exchange contracts	$ -	$ -	$ 884
Interest rate swaps	11,162	-	-
Total	$ 11,162	$ -	$ 884

A.The Group recognised net (loss) gain of ($44,587) and $108,841 on financial assets and liabilities held for trading for the years ended December 31, 2013 and 2012, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

	December 31, 2013		
Current Items	Contract Amount (Notional Principal) (In thousands)		Due Date
Financial assets held for trading			
Derivatives			
Future contracts	USD	5,792	2012.01.06
Financial liabilities held for trading			
Derivatives			
Interest rate swaps	USD	33,500	2014.01.03 ~ 2014.01.27

	December 31, 2012		
Current Items	Contract Amount (Notional Principal) (In thousands)		Due Date
Financial assets held for trading			
Derivatives			
Forward foreign exchange contracts	USD	27,000	2013.01.07 ~ 2013.05.03
Interest rate swaps	USD	56,800	2013.01.09 ~ 2013.03.27
Future contracts	USD	5,792	2012.01.06

Current Items	January 1, 2012 Contract Amount (Notional Principal) (In thousands)		Due Date
Financial assets held for trading			
Derivatives			
Forward foreign exchange contracts	USD	73,000	2012.01.30 ~ 2012.11.28
Interest rate swaps	USD	57,700	2012.01.06 ~ 2012.01.20
Future contracts	USD	5,792	2012.01.06
Financial liabilities held for trading			
Derivatives			
Forward foreign exchange contracts	USD	13,500	2012.01.13 ~ 2012.03.19

(a) Forward foreign exchange contracts / Interest rate swaps

The Group entered into forward foreign exchange contracts and interest rate swaps to sell to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(b) Futures

The Group entered into future contracts to hedge price risk of raw materials. However, these futures are not accounted for under hedge accounting.

C. None of the Group's financial assets at fair value through profit or loss are pledged as collateral.

(3) Available-for-sale financial assets

Items	December 31, 2013	December 31, 2012	January 1, 2012
Current items:			
Listed stocks	$ 600,714	$ 296,435	$ 612,079
Convertible bonds	-	140,000	140,000
Subtotal	600,714	436,435	752,079
Valuation adjustment	1,003	(122,545)	(195,485)
Total	$ 601,717	$ 313,890	$ 556,594
Non-current items:			
Listed stocks	$ 422,100	$ 422,100	$ 422,100
Valuation adjustment	(309,262)	(277,882)	(108,064)
Total	$ 112,838	$ 144,218	$ 314,036

A. The above available-for-sale financial assets – non-current were private placements that could not be sold during the private lock-up in accordance with the R.O.C. Securities Exchange Law. These private placements are remeasured and stated at value adjusted by the same item's fair value in active markets considering the effect of the restrictions.

B. The Group recognised $92,168 and ($96,878) in other comprehensive income for fair value changes for the years ended December 31, 2013 and 2012, respectively.

(4) Accounts receivable

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivable	$ 7,486,280	$ 6,862,056	$ 5,483,878
Less: allowance for sales returns and discounts	(1)	(10,597)	(17,630)
Less: allowance for bad debts	(13,842)	(53,400)	(49,735)
	$ 7,472,437	$ 6,798,059	$ 5,416,513

A. The maximum exposure to credit risk at December 31, 2013, December 31, 2012 and January 1, 2012 was the carrying amount of each class of accounts receivable.
B. The Group does not hold any collateral as security.

(5) Inventories

	December 31, 2013		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 854,549	($ 73,251)	$ 781,298
Work in process	460,622	(25,209)	435,413
Finished goods	2,257,596	(163,434)	2,094,162
Inventory in transit	38,997	-	38,997
Total	$ 3,611,764	($ 261,894)	$ 3,349,870

	December 31, 2012		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 961,255	($ 65,817)	$ 895,438
Work in process	477,840	(45,382)	432,458
Finished goods	1,972,899	(183,288)	1,789,611
Inventory in transit	3,154	-	3,154
Total	$ 3,415,148	($ 294,487)	$ 3,120,661

	January 1, 2012		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,259,959	($ 75,781)	$ 1,184,178
Work in process	218,542	(47,234)	171,308
Finished goods	1,410,992	(89,773)	1,321,219
Inventory in transit	34,240	-	34,240
Total	$ 2,923,733	($ 212,788)	$ 2,710,945

	2013	2012
Cost of inventories sold	$ 21,177,550	$ 20,307,128
Provision for inventory obsolescence and market price	104,229	143,916
Others	(2,313)	89
	$ 21,279,466	$ 20,451,133

The others represent the loss or gain on physical count, and the loss on physical disposal.

(6) Financial assets measured at cost

Items	December 31, 2013	December 31, 2012	January 1, 2012
Non-current items:			
Unlisted stocks	$ 47,110	$ 45,018	$ -
Accumulated impairment	(47,110)	(35,499)	-
Total	$ -	$ 9,519	$ -

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

B. The Group assessed and recognised impairment loss of $47,110 and $35,499 on equity investments—LumenMax Optoelectronics Corporation for the years ended December 31, 2013 and 2012, respectively.

C. None of the Group's financial assets measured at cost are pledged as collateral.

(7) Investments accounted for using equity method

	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	Percentage of ownership	Amount	Percentage of ownership	Amount	Percentage of ownership
Newmax Technology Co., Ltd	$331,937	2.72%	$283,976	2.36%	$296,313	2.44%

A. The share of profit (loss) of associates accounted for using equity method are as follows:

	2013	2012
Newmax Technology Co., Ltd	$ 3,836	($ 4,105)

B. Associates and the parent company of the Group jointly held more than 20% the number of shares of Newmax Tecnology Co., Ltd and have significant influence, caused by the equity method.

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

	Assets	Liabilities	Revenue	Profit/(Loss)
December 31, 2013				
Newmax Technology Co., Ltd	$ 6,741,079	$ 3,261,691	$ 3,230,785	$ 163,314
December 31, 2012				
Newmax Technology Co., Ltd	$ 2,854,402	$ 946,830	$ 1,154,774	($ 175,319)
January 1, 2012				
Newmax Technology Co., Ltd	$ 3,343,788	$ 1,141,177		

D. The Group's investment in Newmax Technology Co., Ltd. has quoted market price. The fair value of Newmax Technology Co., Ltd. as at December 31, 2013, December 31, 2012 and January 1, 2012 was $177,370, $122,530 and $84,443, respectively.

(8) Property, plant and equipment

	Buildings	Machinery	Test equipment	Others	Total
January 1, 2013					
Cost	$ 1,396,027	$ 1,670,602	$ 944,615	$ 578,825	$ 4,590,069
Accumulated depreciation	(420,683)	(716,720)	(504,111)	(350,175)	(1,991,689)
	$ 975,344	$ 953,882	$ 440,504	$ 228,650	$ 2,598,380
2013					
Balance, beginning of year	$ 975,344	$ 953,882	$ 440,504	$ 228,650	$ 2,598,380
Additions	-	200,092	214,487	128,557	543,136
Disposals	(6,222)	(16,740)	(1,044)	(2,109)	(26,115)
Reclassifications	(316,353)	168,107	(78,910)	(1,777)	(228,933)
Depreciation charge	(62,272)	(150,507)	(130,747)	(89,003)	(432,529)
Net exchange differences	53,494	54,763	17,748	11,200	137,205
Balance, end of year	$ 643,991	$ 1,209,597	$ 462,038	$ 275,518	$ 2,591,144
December 31, 2013					
Cost	$ 928,313	$ 2,038,851	$ 1,201,824	$ 713,194	$ 4,882,182
Accumulated depreciation	(284,322)	(829,254)	(739,786)	(437,676)	(2,291,038)
	$ 643,991	$ 1,209,597	$ 462,038	$ 275,518	$ 2,591,144

	Buildings	Machinery	Test equipment	Others	Total
January 1, 2012					
Cost	$ 977,072	$ 1,539,711	$ 830,942	$ 644,489	$ 3,992,214
Accumulated depreciation	(392,335)	(527,020)	(527,176)	(289,446)	(1,735,977)
	$ 584,737	$ 1,012,691	$ 303,766	$ 355,043	$ 2,256,237
2012					
Balance, beginning of year	$ 584,737	$ 1,012,691	$ 303,766	$ 355,043	$ 2,256,237
Additions	458,272	182,534	154,736	96,267	891,809
Disposals	-	(295)	(128)	(379)	(802)
Reclassifications	-	(79,649)	79,649	(131,224)	(131,224)
Depreciation charge	(42,877)	(124,267)	(88,504)	(83,457)	(339,105)
Net exchange differences	(24,788)	(37,132)	(9,015)	(7,600)	(78,535)
Balance, end of year	$ 975,344	$ 953,882	$ 440,504	$ 228,650	$ 2,598,380
December 31, 2012					
Cost	$ 1,396,027	$ 1,670,602	$ 944,615	$ 578,825	$ 4,590,069
Accumulated depreciation	(420,683)	(716,720)	(504,111)	(350,175)	(1,991,689)
	$ 975,344	$ 953,882	$ 440,504	$ 228,650	$ 2,598,380

None of the Group’s property, plant and equipment are pledged as collateral.

(9) Intangible assets

	Trademarks and patents	Software	Others	Total
January 1, 2013				
Cost	$ 22,216	$ 74,530	$ 5,658	$ 102,404
Accumulated amortisation	(16,841)	(59,930)	(3,402)	(80,173)
	$ 5,375	$ 14,600	$ 2,256	$ 22,231
2013				
Balance, beginning of year	$ 5,375	$ 14,600	$ 2,256	$ 22,231
Additions	6,430	25,036	-	31,466
Disposals	-	(47)	-	(47)
Amortisation charge	(5,373)	(13,126)	(200)	(18,699)
Net exchange differences	-	228	127	355
Balance, end of year	$ 6,432	$ 26,691	$ 2,183	$ 35,306
December 31, 2013				
Cost	$ 28,646	$ 101,462	$ 5,785	$ 135,893
Accumulated amortisation	(22,214)	(74,771)	(3,602)	(100,587)
	$ 6,432	$ 26,691	$ 2,183	$ 35,306

	Trademarks and patents	Software	Others	Total
January 1, 2012				
Cost	$ 16,908	$ 54,372	$ 5,334	$ 76,614
Accumulated amortisation	(12,438)	(42,096)	(2,804)	(57,338)
	$ 4,470	$ 12,276	$ 2,530	$ 19,276
2012				
Balance, beginning of year	$ 4,470	$ 12,276	$ 2,530	$ 19,276
Additions	5,308	17,077	400	22,785
Reclassifications	-	4,309	-	4,309
Amortisation charge	(4,403)	(18,816)	(597)	(23,816)
Net exchange differences	-	(246)	(77)	(323)
Balance, end of year	$ 5,375	$ 14,600	$ 2,256	$ 22,231
December 31, 2012				
Cost	$ 22,216	$ 74,530	$ 5,658	$ 102,404
Accumulated amortisation	(16,841)	(59,930)	(3,402)	(80,173)
	$ 5,375	$ 14,600	$ 2,256	$ 22,231

(10) Other non-current assets

	December 31, 2013	December 31, 2012	January 1, 2012
Long-term prepaid rents	$ 240,331	$ 132,796	$ 68,826
Guarantee deposits paid	29,375	28,978	27,233
Prepayments for business facilities	117,870	54,243	50,251
Others	296,280	44,239	53,473
	$ 683,856	$ 260,256	$ 199,783

A. As of December 31, 2013, the Group signed the land use rights contracts with Bureau of Land Resources for use of the land in municipality of Chongqing City and Dongguan City with term of 50 years. All rentals had been paid on the contract date, and shown as ‘Long-term prepaid rents’.

B. As of December 31, 2013, December 31, 2012 and January 1, 2012, CPCQ had received the local government grants amounting $154,417, $124,967 and $87,489 respectively, as a reward for the local investment. These government grants are deducted from the cost of land use right.

(11) Short-term borrowings

Type of borrowings	December 31, 2013	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 143,016	1.48%～1.70%	None

Type of borrowings	December 31, 2012	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 1,304,436	1.00%～1.81%	None

Type of borrowings	January 1, 2012	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 923,240	1.27%～1.75%	None

As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company’s Chairman had provided guarantees for portions of the short-term loans amounting to $143,016, $484,968 and $923,240, respectively. The Group had also issued promissory notes as guarantees for the short-term loans. Please see Note 9(2).

(12) Short-term notes and bills payable

	December 31, 2013	December 31, 2012	January 1, 2012
Commercial papers	$ -	$ -	$ 300,000
Interest rates	-	-	1.30%～1.35%

The Company’s Chairman had issued promissory notes amounting to $300,000 as guarantees for the short-term notes and bills payable on January 1, 2012.

(13) Accounts payable

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts payable	$ 5,885,347	$ 4,594,929	$ 3,772,541
Estimated accounts payable	1,622,747	1,254,308	864,291
	$ 7,508,094	$ 5,849,237	$ 4,636,832

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2013
Unsecured borrowings	Borrowing period is from December 30, 2013 to March 30, 2014; interest is repayable until the principal is matured.(Note)	2.27%	None	$ 923,645
Less: current portion				-
				$ 923,645

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2012
Unsecured borrowings	Borrowing period is from December 28, 2012 to March 28, 2013; interest is repayable until the principal is matured.(Note)	1.33%	None	$ 1,190,640
Unsecured borrowings	Borrowing period is from September 25, 2012 to September 24, 2014; interest is repayable monthly.	1.86%	None	350,641
Less: current portion				-
				$ 1,541,281

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2013
Unsecured borrowings	Borrowing period is from October 18, 2011 to March 25, 2012; interest is repayable until the principal is matured.(Note)	2.17%～3.11%	None	$ 1,834,580
Less: current portion (shown as other non-current liabilities)				(1,834,580)
				$ -

Note: Revolving credit in three years starting from the first drawdown, each credit period is limited from 90 to 180 days.

A. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company’s chairman had issued promissory notes to guarantee the long-term loans, please see Note 9(2).

B. A long-term syndicated loan facility amounting to $5,000,000 (can be drawdown in United States Dollars or New Taiwan Dollars within the total credit facility) for three years was signed by the Company, with Taiwan Cooperative Bank as the lead bank in May 2012. It is to be used for the repayment of 2009 syndicated loan and mid-term operations. As of December 31, 2013, $923,645 was drawdown and repayments will be in accordance with contract requirements. The main contents of the contract are as follows:

(a) Annual consolidated financial reports should maintain financial ratios as follows:

i. Current ratio is above 100%,

ii. Financial liabilities which divided by net tangible assets is under 250%,

iii. Time interest earned is above 300%,

iv. Net tangible assets are above $2,500,000,

The above financial ratios are based on the annual financial statements. If the Company does not conform to the contract, the Company should adjust within nine months. If the adjusted financial ratios are reviewed by independent accountants and thereby conforms to the contract, it is not a breach of contract.

(b) The Company should maintain appropriate accounts receivable ratio, which means the total of qualified accounts receivable balance and the compensation accounts balance divided by the remainder of drawn balance should be above 70%. The remainder of drawn balance is the Company's expected drawdown amount plus the remainder of drawn amount. If the ratio cannot be maintained appropriately, the Company should choose any of the following actions to make the accounts receivable ratio comply with the contract within seven days after the managing bank's notification:

i.Provide other qualified accounts receivable which was certified by the managing bank, or,

ii.Repay the loan before maturity, or,

iii.Deposit in compensation accounts.

(c) As part of the contract, the commitment fee should be calculated every three months, which begins six months after the Company's first drawdowns of the credit. During the commitment fee calculation period, if the average drawdown amounts are less than 60% of the total loan facility, the commitment fee should be calculated seasonly, using the difference of actual drawdown amounts and 60% of the total loan facility, mutiplied by 0.15%, the annual fee rate, and then pay the managing bank every three months.

(d) Chicony Electronics Co., Ltd. and its Affiliates should maintain above 51% voting power over the Company and also have control power over the Company's operations. However, for the compilation of rules governing the listed companies, the highest voting ratio and seats should follow "Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings" and "GreTai Securities Market Rules Governing the Review of Securities for Trading on the GTSM".

C. A long-term syndicated loan facility amounting to $3,500,000 (can be drawdown in United States Dollars within 60% of the total credit facility) for three years was signed by the Company, with Taiwan Cooperative Bank as the lead bank in October 2009. It is to be used for the repayment of bank loan and mid-term operations. The main contents of the contract are as follows:

(a) Annual consolidated financial reports should maintain financial ratios as follows:

i. Current ratio is above 100%,

ii. Financial liabilities which divided by net tangible assets is under 270%,

iii. Time interest earned is above 300%,

iv. Net tangible assets are above $2,000,000,

The above financial ratios are based on the annual financial statements. If the Company does not conform to the contract, the Company should adjust within nine months. If the adjusted financial ratios are reviewed by independent accountants and thereby conforms to the contract, it is not a breach of contract.

(b) The Company should maintain appropriate accounts receivable ratio, which means the total of qualified accounts receivable balance and the compensation accounts balance divided by the remainder of drawn balance should be above 85%. The remainder of drawn balance is the Company's expected drawdown amount plus the remainder of drawn amount. If the ratio cannot be maintained appropriately, the Company should choose any of the following actions to make the accounts receivable ratio comply with the contract within seven days after the managing bank's notification:

i. Provide other qualified accounts receivable which was certified by the managing bank, or,

ii. Repay the loan before maturity, or,

iii. Deposit in compensation accounts.

(c) As part of the contract, the commitment fee should be calculated every three months, which begins six months after the Company's first drawdowns of the credit. During the commitment fee calculation period, if the average drawdown amounts are less than 60% of the total loan facility, the commitment fee should be calculated seasonly, using the difference of actual drawdown amounts and 60% of the total loan facility, mutiplied by 0.15%, the annual fee rate, and then pay the managing bank every three months.

(d) Chicony Electronics Co., Ltd. and its Affiliates should maintain above 51% voting power over the Company and also have control power over the Company's operations. However, for the compilation of rules governing the listed companies, the highest voting ratio and seats should follow "Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings" and "GreTai Securities Market Rules Governing the Review of Securities for Trading on the GTSM".

(e)The Company had repaid all the liabilities mentioned above in May 2012.

D.The Group has the following undrawn borrowing facilities:

	December 31, 2013	December 31, 2012	January 1, 2012
Floating rate:			
Expiring within one year	$ -	$ -	$ 1,665,420
Expiring beyond one year	4,076,355	3,809,360	-
	$ 4,076,355	$ 3,809,360	$ 1,665,420

(15) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 4% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded obligations	($ 67,110)	($ 63,499)	($ 56,250)
Fair value of plan assets	49,896	48,815	47,904
Net liability in the balance sheet	($ 17,214)	($ 14,684)	($ 8,346)

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

	2013	2012
Present value of funded obligations		
Balance, beginning of year	($ 63,499)	($ 56,250)
Current service cost	(910)	(872)
Interest expense	(1,032)	(984)
Actuarial profit and loss	(1,669)	(5,393)
Balance, end of year	($ 67,110)	($ 63,499)

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

	2013	2012
Fair value of plan assets		
Balance, beginning of year	$ 48,815	$ 47,904
Expected return on plan assets	920	963
Actuarial profit and loss	(293)	(497)
Employer contributions	454	445
Balance, end of year	$ 49,896	$ 48,815

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

	2013	2012
Current service cost	$ 910	$ 872
Interest cost	1,032	984
Expected return on plan assets	(920)	(963)
Current pension costs	$ 1,022	$ 893

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

	2013	2012
Selling expenses	$ 130	$ 197
General and administrative expenses	696	428
Research and development expenses	196	268
	$ 1,022	$ 893

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

	2013	2012
Recognition for current period	$ 1,962	$ 5,890
Accumulated amount	$ 7,852	$ 5,890

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

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

The actual return on plan assets of the Company for the years ended December 31, 2013 and 2012 were $627 and $466, respectively.

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

	2013	2012	2011
Discount rate	1.875%	1.625%	1.750%
Future salary increases	2.500%	2.500%	2.500%
Expected return on plan assets	2.000%	1.875%	2.000%

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

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

	2013	2012
Present value of defined benefit obligation	($ 67,110)	($ 63,499)
Fair value of plan assets	49,896	48,815
Deficit in the plan	($ 17,214)	($ 14,684)
Experience adjustments on plan liabilities	($ 1,669)	($ 5,393)
Experience adjustments on plan assets	($ 293)	($ 497)

(j) Expected contributions to the defined benefit pension plans of the Group within one year from December 31, 2013 amounts to $456.

B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company's mainland subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2013 and 2012 were $46,759 and $40,834, respectively.

(16) Provisions

	Legal claims
Balance, beginning of 2013	$ -
Additional provisions	324,176
Balance, end of 2013	$ 324,176

Analysis of total provisions:

	December 31, 2013
Non-current	$ 324,176

Please see Note 9(1) for the details of the provision the Company recognized.

(17) Share capital

A. As of December 31, 2013, the Company's authorized capital was $4,000,000, and the paid-in capital was $3,533,786 with a par value of $10 (in dollars) per share, and the outstanding common stock was 353,379 thousand shares.

Changes in the number of the Company's ordinary shares outstanding are as follows:

	2013	2012
Balance, beginning of year	325,797	276,184
Common stock dividends	1,629	41,428
Employee bonuses	1,953	8,185
Cash capital increase	24,000	-
Balance, end of year	353,379	325,797

B. The Company raised additional cash 24,000 thousand shares for initial listing, and has been approved by appropriate authorities. The issued date was set on November 7, 2013, and the Company had completed the registration on November 26, 2013.

C. On June 18, 2013, the Annual Stockholder Meeting had approved to issue common stock dividends amounting to $16,290 and employees' stock bonus amounting to $61,120 at a price of $31.3 (in dollars) based on the estimated price of the expert valuation report, totaling 1,953 thousand shares. This capitalization had issued a total of 3,582 thousand shares and was approved by the appropriate authorities. The issuance date was set on August 9, 2013, and the Company had completed the registration on August 19, 2013.

D. On June 18, 2013, the Annual Stockholder Meeting had approved to issue common stock dividends amounting to $414,276 and employees' stock bonus amounting to $115,414 at a price of $14.1 (in dollars) based on the net value per share audited by an independent accountant, totaling 8,185 thousand shares. This capitalization had issued a total of 49,613 thousand shares and was approval by the appropriate authorities. The issuance date was set on September 25, 2012, and the Company had completed the registration on October 8, 2012.

(18) Capital surplus

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

	Share premium	Others	Total
Balance, beginning of 2013	$ 129,002	$ 110,048	$ 239,050
Employee bonuses	41,593	-	41,593
Cash capital	753,984	-	753,984
Issuance of shares - compensatory cost	5,138	-	5,138
Capital surplus used to issue cash to shareholders	(32,579)	-	(32,579)
Balance, end of 2013	$ 897,138	$ 110,048	$ 1,007,186

	Share premium	Others	Total
Balance, beginning of 2012	$ 95,442	$ 110,048	$ 205,490
Employee bonuses	33,560	-	33,560
Balance, end of 2012	$ 129,002	$ 110,048	$ 239,050

(19) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed sequentially as follows:

(a) First be used to pay all taxes;

(b) Offset prior years' operating losses;

(c) Then 10% of the remaining amount shall be set aside as legal reserve;

(d) Set aside special reserve in accordance with Article 41 of the R.O.C. Security Exchange Act and the related R.O.C. SFCs regulations; and

(e) The remainder, if any, to be appropriated shall be resolved by the stockholders at the stockholders' meeting. Bonus distributed to the employees and remuneration paid to the directors and supervisors should account for between 15% ~ 20% and up to 1%, respectively, of the total distributed amount.

B. The Company's dividend policy is summarized below: the Company is on the development stage of the electronics industry. The dividend policy should be formulated by considering the capital requirements of the new products and promoting the return on equity simultaneously. Therefore the total amounts of stockholders' dividends should not exceed 90% of the total distributable earnings, and then the cash dividend should not be less than 10% of the total amounts of stockholders' dividends. The above mentioned restrictions will not to be applicable if total amounts of stockholders' dividends are less than $0.5(in dollars) per share.

C. The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excees of 25% of the paid-in capital if the Company incurs no loss.

D.(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E. For the years ended December 31, 2013 and 2012, employees' bonus was accrued at $163,789 and $68,772, respectively; directors' and supervisors' remuneration was accrued at $10,919 and $4,585, respectively. The estimates were based on distributable earnings, in accordance with the Company's Articles of Incorporation (15% of distributable earnings as employees' bonuses, and

1% of distributable earnings as directors' and supervisors' remuneration were accrued in both 2013 and 2012). The difference between employees' bonus, directors' and supervisors' remuneration as resolved by the stockholders and the amount recognised in the 2012 financial statements by $6,015 had been adjusted in the 2013 through profit or loss.

F.(a) The appropriation of 2012 and 2011 earnings has been approved at the Annual Stockholder Meeting on June 18, 2013 and June 14, 2012, respectively, and the details are summarized below:

	2012		2011	
	Amount	share (in dollars)	Amount	share (in dollars)
Legal reserve	$ 91,257		$ 82,789	
Special reserve	400,427		-	
Stock dividends	16,290	$ 0.05	414,276	$ 1.50
Cash dividends	602,724	1.85	138,092	0.50
Total	$ 1,110,698		$ 635,157	

(b) Subsequent events: The appropriation of 2013 earnings had been proposed at the Board of Directors' meeting on March 10, 2014. Details are summarized below:

	2013	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 80,245	
Stock dividends	17,669	$ 0.05
Cash dividends	689,088	1.95
Total	$ 787,002	

(c) Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Other equity items

	Available-for-sale investments	Currency translation	Total
Balance, beginning of 2013	($ 400,427)	($ 32,997)	($ 433,424)
Revaluation – group	92,168	-	92,168
Currency translation differences:			
–Group	-	105,494	105,494
–Associates	-	(262)	(262)
Balance, end of 2013	($ 308,259)	$ 72,235	($ 236,024)

	Available-for-sale investments	Currency translation	Total
Balance, beginning of 2012	($ 303,549)	$ -	($ 303,549)
Revaluation – group	(96,878)	-	(96,878)
Currency translation differences:			
–Group	-	(31,897)	(31,897)
–Associates	-	(1,100)	(1,100)
Balance, end of 2012	($ 400,427)	($ 32,997)	($ 433,424)

(21) Other income

	For the year ended December 31, 2013	For the year ended December 31, 2012
Dividend income	$ 10,123	$ 15,256
Interest income:		
Interest income from bank deposits	7,807	7,130
Other interest income	4,403	5,340
Other income	91,844	128,533
Total	$ 114,177	$ 156,259

(22) Other gains and losses

	For the year ended December 31, 2013	For the year ended December 31, 2012
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	($ 44,587)	$ 108,841
Net currency exchange gains (losses)	11,169	(106,936)
Losses on disposal of property, plant and equipment	(25,584)	(802)
Gains (losses) on disposal of investments	34,254	(74,649)
Gains on doubtful debt recoveries	39,352	-
Impairment losses	(11,611)	(35,499)
Compensation losses	(324,176)	-
Others	7,647	(19,977)
Total	($ 313,536)	($ 129,022)

(23) Finance costs

	For the year ended December 31, 2013	For the year ended December 31, 2012
Interest expense:		
Bank borrowings	$ 58,628	$ 47,315

(24) Personal expenses, depreciation and amortization

	For the year ended December 31, 2013		
	Operating cost	Operating expense	Total
Personnel Expenses			
Salaries and wages	$ 1,855,195	$ 984,822	$ 2,840,017
Insurance	72,760	55,413	128,173
Pension	14,764	33,017	47,781
Others	49,273	34,445	83,718
Depreciation	304,898	127,631	432,529
Amortization	869	17,830	18,699
Other non-current assets transferred	43,819	17,427	61,246
Long-term prepaid rents transferred to expenses	-	4,891	4,891

	For the year ended December 31, 2012		
	Operating cost	Operating expense	Total
Personnel Expenses			
Salaries and wages	$ 1,623,262	$ 780,569	$ 2,403,831
Insurance	68,277	44,320	112,597
Pension	13,682	28,045	41,727
Others	39,137	32,821	71,958
Depreciation	233,038	106,067	339,105
Amortization	1,809	22,007	23,816
Other non-current assets transferred	31,748	13,987	45,735
Long-term prepaid rents transferred to expenses	-	2,190	2,190

(25) Income tax

A. Components of income tax expense:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Closing Income tax payable	$ 185,944	$ 127,278
Beginning Income tax payable	(127,278)	(144,683)
Net change in deferred tax asset	(42,072)	(69,956)
Income tax paid	223,691	227,002
Adjustment in respect of prior years	826	1,839
Income tax expense	$ 241,111	$ 141,480

B. Reconciliation between income tax expense and accounting profit:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Tax calculated based on profit before tax	$ 195,727	$ 177,810
Effects from items disallowed by tax regulation	44,558	(57,442)
Additional 10% tax on undistributed earnings	-	19,273
Adjustment in respect of prior years	826	1,839
Income tax expense	$ 241,111	$ 141,480

C. Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carryforward and investment tax credit are as follows:

	For the year ended December 31, 2013		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
－Deferred tax assets (liabilities):			
Provision for inventory price decline and obsolescence	$ 7,559	$ 1,930	$ 9,489
Impairment loss	6,035	1,974	8,009
Unrealized exchange loss	19,705	(11,620)	8,085
Unrealized year-end bonus	4,114	2,411	6,525
Unrealized (gain) loss on financial assets	(1,361)	3,259	1,898
Unrealized commissions expense	52,377	(21,388)	30,989
Unrealized intercompany loss (profit)	1,469	(1,690)	(221)
Estimated sales discounts and allowances	1,598	(1,598)	-
Unfunded pension expense	1,601	97	1,698
Unrealized government grants	19,186	4,445	23,631
Provision for legal claim	-	55,110	55,110
Others	6,678	9,142	15,820
Total	$ 118,961	$ 42,072	$ 161,033

	For the year ended December 31, 2012		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
－Deferred tax assets (liabilities):			
Provision for inventory price decline and obsolescence	$ 4,373	$ 3,186	$ 7,559
Impairment loss	-	6,035	6,035
Unrealized exchange loss	5,325	14,380	19,705
Unrealized year-end bonus	4,003	111	4,114
Unrealized gain on financial assets	(942)	(419)	(1,361)
Unrealized commissions expense	22,046	30,331	52,377
Unrealized intercompany loss	1,688	(219)	1,469
Estimated sales discounts and allowances	1,294	304	1,598
Unfunded pension expense	1,419	182	1,601
Unrealized government grants	-	19,186	19,186
Others	9,799	(3,121)	6,678
Total	$ 49,005	$ 69,956	$ 118,961

D. The Tax Authorities has examined income tax returns of the Company through 2011.

E. Unappropriated retained earnings:

	December 31, 2013	December 31, 2012	January 1, 2012
Earnings generated in and after 1998	$ 842,201	$ 1,172,267	$ 910,087

F. As of December 31, 2013, December 31, 2012 and January 1, 2012, the balance of the imputation tax credit account was $87,245, $107,941 and $66,358, respectively. The creditable tax ratio was 17% for 2012 and is estimated to be 10.36% for 2013.

G. CPCQ applies for the Enterprise Income Tax Law of the People’s Republic of China and the State Administration of Taxation on Tax Policy Issues Concerning Further Implementing the China’s Western Development Strategy, which refers to an enterprise whose main business falls within the scope of industry projects set out in the Catalogue of Encouraged Industries in China’s Western and whose revenues generated from its main business accounts for 70% or more of its gross income. The applications have been authorized, and CPCQ’s income tax shall be paid at the reduced tax rate of 15%.

(26) Earnings per share

	For the year ended December 31, 2013		
	Amount after tax	Weighted average number of ordinary shares outstanding (In thousands)	Earnings per share (in NT$)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 802,447	332,096	$ 2.42
Diluted earnings per share			
Employees' bonus	-	3,737	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 802,447	335,833	$ 2.39

	For the year ended December 31, 2012		
	Amount after tax	Weighted average number of ordinary shares outstanding (In thousands)	Earnings per share (in NT$)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 903,227	323,717	$ 2.79
Diluted earnings per share			
Employees' bonus	-	1,953	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 903,227	325,670	$ 2.77

The above weighted-average outstanding shares of common stock have been adjusted according to the earnings distribution approved by the Board of Directors and stockholders.

If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of profit sharing to employees in stock by the closing price (after considering the dilutive effect of dividends) of the common shares on the end of the reporting period. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until profit sharing to employees to be settled in the form of common stocks are approved by the shareholders in the following year.

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The ultimate parent of the Company is Chicony Electronics Co., Ltd., which owns 49.58% of the Company's shares. The remaining 50.42% of the shares are publicly held.

(2) Significant related party transactions and balances

A. Sales of goods:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Sales of goods:		
Other related parties	$ 305,703	$ 137,637
Entities with joint control or significant influence over the entity	960,597	392,303
The parent company	242	9
Total	$ 1,266,542	$ 529,949

The terms of the sales to related parties were not significant different from those of sales to third parties.

B. Purchases of goods:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Purchases of goods:		
Other related parties	$ 2,027	$ 17,186
Entities with joint control or significant influence over the entity	-	852
Total	$ 2,027	$ 18,038

The terms of the purchases from related parties were not significant different from those of purchases to third parties.

C. Purchases of services:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Purchases of services:		
Entities with joint control or significant influence over the entity	$ 7,994	$ 11,224
The parent company	10,317	9,633
Total	$ 18,311	$ 20,857

The purchases from related parties arise mainly from providing the service management to the Group.

D. Accounts receivable:

	December 31, 2013	December 31, 2012	January 1, 2012
Receivables from related parties:			
Other related parties	$ 119,288	$ 89,871	$ 34,115
Entities with joint control or significant influence over the entity	437,981	169,937	145,940
The parent company	551	129	589
Total	$ 557,820	$ 259,937	$ 180,644

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest.

E. Accounts payable:

	December 31, 2013	December 31, 2012	January 1, 2012
Payables to related parties:			
Other related parties	$ 177	$ 416	$ 333

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

F. Other receivables:

	December 31, 2013	December 31, 2012	January 1, 2012
Receivables from related parties:			
Entities with joint control or significant influence over the entity	$ 27,771	$ 16,174	$ -
The parent company	41	-	-
Total	$ 27,812	$ 16,174	$ -

The receivables from related parties arise mainly from prepayments.

D. Other payables:

	December 31, 2013	December 31, 2012	January 1, 2012
Payables to related parties:			
Entities with joint control or significant influence over the entity	$ 1,179	$ 32,330	$ 12,386
The parent company	2,586	2,403	14,973
Total	$ 3,765	$ 34,733	$ 27,359

The payables to related parties arise mainly from services, collections, and operating leases.

E. Operating leases:

Lessor	Lease subject	Rental calculation and payment	Rental expense	
The parent company	Property, plant and equipment	$83 per month	For the year ended December 31, 2013	For the year ended December 31, 2012
			$ 996	$ 996
Entities with joint control or significant influence over the entity	Property, plant and equipment	Renminbi 564 (in thousands) per month	For the year ended December 31, 2013	For the year ended December 31, 2012
			$ 32,689	$ 31,620

F. Endorsements and guarantees provided by related parties:

(a) As of December 31, 2013, the endorsements and guarantees provided by the parent company to the Company amounts to $12,010.

(b) For details of the endorsements and guarantees provided by the key management personnel of the Company to the Company, please see Notes 6(11) and 6(14).

(3) Remuneration information of key management

	For the year ended December 31, 2013	For the year ended December 31, 2012
Salaries and other short-term employee benefits	$ 110,871	$ 40,535
Post-employment benefits	1,522	20,309
Total	$ 112,393	$ 60,844

8. DETAILS OF PLEDGED ASSETS

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

	Book value			
Pledged asset	December 31, 2013	December 31, 2012	January 1, 2012	Purpose
Other non-current assets	$ 17,867	$ 17,414	$ 18,151	Guarantee for forward and futures contracts
"	5,845	2,910	2,395	Guarantee for rentals
"	5,663	8,654	6,687	Others
	$ 29,375	$ 28,978	$ 27,233	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

A. Comarco, Inc. (abbreviated as Comarco) had ordered 90W NB Adapter from the Company, as of March 2010, Comarco still had US 1,153 thousand dollars unpaid and caused the Company inventory loss US 550 thousand dollars; the Company filed an indictment against Comarco in Orange County Superior Court in April 2011 and June 2012 respectively, to request Comarco pay the accounts receivable remaining and inventory loss, amounting to US 1,703 thousand dollars in total; however, Comarco filed a Cross-Complaint against the Company in May 2011, claiming that Comarco had recalled its products because the adapters the Company had provided was defected, and therefore Comarco requested compensation of US 4,900 thousand dollars from the Company for the losses. In April 2013, Comarco requested an additional amount of compensation, therefore the total compensation was raised to US 15,000 thousand dollars. In September 2013, Comarco raised the total compensation to US 24,734 thousand dollars based on the damage expert. The U.S. jury returned a verdict of the lawsuit mentioned above in February 5, 2013: Comarco should pay the unpaid payment US 1,153 thousand dollars to the Company, and the Company should pay compensation amounting to US 10,880 thousand dollars to Comarco. As of December 31, 2013, the Company has accrued provision amounting to NTD 324,176 thousand dollars for losses and liabilities as a result of the lawsuit. (before deducting bad debt loss reversal of NTD 35,537 thousand dollars)

B.In January 2012, Dell Products (Manufacturing) Limited (abbreviated as Dell) had filed an indictment in Ireland Supreme Court to charge against the Company as co-defendant. In the case, the plaintiff (Thomas McDonagh & Sons) had claimed that Dell's customer, which is ICI Dulux Paint Limited (abbreviated as ICI,) had produced paint mixing machines (which contained Dell's brand-name desktop computers and also Dell desktop power adapters produced by the Company) that had caused the fire in its factory and caused the related losses. Therefore, the plaintiff (Thomas McDonagh & Sons) had claimed its loss of EUR 1,273 thousand dollars from its defendant. During the lawsuit process, ICI had claimed Dell as the third party in this lawsuit, and

Dell therefore also had claimed the Company as the fourth party in this lawsuit. The case has currently not yet entered into discovery process. However, the Company had covered the products with product liability insurance, so the insurance company will be responsible for the further lawsuit settlement and agreement. If the agreement can be reached before the case is settled by the court, the Company will be responsible for the compensation based on the agreement reached. If the agreement can not be reached, the compensation will depend on Ireland Supreme Court's settlement. If Ireland Supreme Court decides that the fire was caused by the Company's products, there will be a strong possibility that the Company has to compensate the plaintiff with the related losses. However, because the product liability insurance covers the compensation amount, the Company had no reserves for the potential losses.

Additionally, Dell had filed a declaratory judgment in Williamson County, Texas District Court to charge against Hipro Electronics Ltd. (the Company, HEC), and CPUS. Dell claimed that the Company, HEC, and CPUS should compensate the losses and attorneys' fees in Ireland lawsuit according to Master Purchase Agreement which had signed with HEC in 1995. The Company, HEC, and CPUS have appointed a lawyer for the following case.

(2) Commitments

A. For bank loans, financing forward exchange contracts, and bill purchased purposes, the Group provided standby promissory notes totaling $10,930,834 as security.

B. As of December 31, 2013, December 31, 2012 and January 1, 2012, due to the Group's leasing of plants, offices and parking lots, the Group shall pay the rents as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than one year	$ 58,051	$ 70,312	$ 63,074
Later than one year but not later than five years	11,107	15,643	29,519
	$ 69,158	$ 85,955	$ 92,593

C. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

December 31, 2013	December 31, 2012	January 1, 2012
$ 30,884	$ 8,935	$ 148,960

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. For details of the litigation after the balance sheet date of Comarco Inc., please see Note 9(1).

B. The appropriation of 2013 earnings had been proposed at the Board of Directors' meeting on March 10, 2014; please see Note 6(19).

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

(2) Financial instruments

A. Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable and other payables) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

The Group's financial risk arises mainly from investing financial instruments. To manage different financial risk arises from investments, the Group controls the risks using the strictest standards. Market risk, credit risk, liquidity risk and cash flow risk should be assessed and chosen at the lowest level before investing in financial instruments.

To reach the objective of the risk management, the different control strategies that the Company adopted as follows:

(a) Foreign exchange risk

The Company uses derivate financial instruments such as foreign exchange contracts and swap contracts to hedge the expected trancation of recognized foregin currency assets/liabilities to reduce the fair value risk and cash flow risk arising from fluctations in exchange rates.

(b) Credit risk

The Company has a rigorous credit assessment policies and timely use of debt security measures in order to reduce credit risk.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

ii. The Group’s businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2013								
					Sensitivity analysis				
	Book Value Amount (In Thousands)		Exchange Rate	Book Value (NTD)		Degree of variation	Effect on profit or loss		Effect on other comprehensive income
(Foreign currency: functional currency)									
Financial assets									
Monetary items									
USD:NTD	$	250,833	29.795	$	7,473,569	1%	$	74,736	$ -
USD:RMB		2,348	6.097		14,316	1%		143	-
Financial liabilities									
Monetary items									
USD:NTD	$	45,970	29.795	$	1,369,676	1%	$	13,697	$ -
USD:RMB		200,912	6.097		1,224,960	1%		12,250	-

	December 31, 2012					
				Sensitivity analysis		
	Book Value Amount (In Thousands)	Exchange Rate	Book Value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 226,189	29.040	$ 6,568,529	1%	$ 65,685	$ -
USD:RMB	4,006	6.270	25,118	1%	251	-
Financial liabilities						
Monetary items						
USD:NTD	$ 70,899	29.040	$ 2,058,907	1%	$ 20,589	$ -
USD:RMB	160,150	6.270	1,004,157	1%	10,042	-

	January 1, 2012		
	Book Value Amount (In Thousands)	Exchange Rate	Book Value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 180,643	30.270	$ 5,468,064
USD:RMB	3,098	6.301	19,520
Financial liabilities			
Monetary items			
USD:NTD	$ 73,760	30.270	$ 2,232,715
USD:RMB	137,849	6.301	868,573

Price risk

i. The Group's equity securities, which classified on the consolidated balance sheet as either available-for-sale or at fair value through profit or loss, are exposed to price risk. The Group diversifies its portfolio to manage the price risk arising from its investments. Diversification of the portfolio is done within the restrictions set by the Group.

ii. The Group invests mainly in listed stocks. The prices of equity securities would change due to the changes of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, the Group's shareholders' equity would have increased/decreased by $10,228 and $ 7,185, respectively, as a result of unrealized gain or loss on available-for-sale financial assets.

Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

(b)Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by its clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each internal operating entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial positions, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with restrictions set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

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

iii. The credit quality information of accounts receivable (including related parties) that are neither past due nor impaired is as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Group 1	$ 4,703,161	$ 3,916,981	$ 4,065,759
Group 2	3,179,841	3,131,230	1,509,291
	$ 7,883,002	$ 7,048,211	$ 5,575,050

Group 1: Low-risk customers which have larger scale of operations.
Group 2: Other normal-risk customers.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Up to 30 days	$ 114,243	$ 310	$ 585
31 to 120 days	32,305	4,527	21,522
121 to 210 days	707	4,948	-
	$ 147,255	$ 9,785	$ 22,107

iiv. The analysis of the Group's accounts receivable that were impaired is as follows:

Individual provision	2013	2012
At January 1	$ 53,400	$ 49,735
(Reversal of) provision for impairment	(39,352)	3,710
Effect of exchange rate changes	(206)	(45)
At December 31	$ 13,842	$ 53,400

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(13)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal financial ratio targets and, if applicable external regulatory or legal requirements.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2013, December 31, 2012 and January 1, 2012, the Group held money market position of $990,673, $710,379 and $932,291, respectively, which are expected to generate sufficient cash inflows to cover liquidity risk.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2013	Less than 1 year	Over 1 years
Short-term borrowings	$ 143,016	$ -
Notes payable	191	-
Accounts payable (including related parties)	7,508,271	-
Other payables (including related parties)	1,407,886	-
Long-term borrowings (including current portion)	-	955,626

Non-derivative financial liabilities:

December 31, 2012	Less than 1 year	Over 1 years
Short-term borrowings	$ 1,304,436	$ -
Notes payable	211	-
Accounts payable (including related parties)	5,849,653	-
Other payables (including related parties)	1,214,480	-
Long-term borrowings (including current portion)	-	1,592,283

Non-derivative financial liabilities:

January 1, 2012	Less than 1 year	Over 1 years
Short-term borrowings	$ 923,240	$ -
Short-term notes and bills payable	300,000	-
Notes payable	200	-
Accounts payable (including related parties)	4,637,165	-
Other payables (including related parties)	1,083,479	-
Long-term borrowings (including current portion)	1,834,580	-

(3) Fair value estimation

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

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

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

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

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

December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Futures contracts	$ -	$ -	$ 7,554	$ 7,554
Available-for-sale financial assets				
Equity securities	601,717	112,838	-	714,555
Total	$ 601,717	$ 112,838	$ 7,554	$ 722,109
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 11,612	$ -	$ 11,612

December 31, 2012	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 3,986	$ -	$ 3,986
Interest rate swaps	-	6,701	-	6,701
Futures contracts	-	-	7,363	7,363
Available-for-sale financial assets				
Equity securities	173,890	144,218	-	318,108
Debt securities	140,000	-	-	140,000
Total	$ 313,890	$ 154,905	$ 7,363	$ 476,158

January 1, 2012	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 10,806	$ -	$ 10,806
Interest rate swaps	-	6,423	-	6,423
Futures contracts	-	-	7,675	7,675
Available-for-sale financial assets				
Equity securities	426,604	314,036	-	740,640
Debt securities	129,990	-	-	129,990
Total	$ 556,594	$ 331,265	$ 7,675	$ 895,534
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 884	$ -	$ 884

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

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

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

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others:

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2013 (Note 2)	Balance at December 31, 2013 (Note 3)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 6)	Ceiling on total loans granted (Note 6)
													Item	Value		
1	CPI	CPCQ	Other recivebles - related parties	YES	$ 357,540	$ 357,540	$ -	-	1	$ 3,554,056	-	-	None	None	$ 1,800,548	$ 2,400,731
1	CPI	CPUS	Other recivebles - related parties	YES	148,975	148,975	144,804	1.6	2	-	working capital	-	None	None	1,800,548	2,400,731
1	CPI	CPHK	Other recivebles - related parties	YES	1,057,723	1,057,723	1,048,784	1.6	2	-	working capital	-	None	None	1,800,548	2,400,731
2	HDG	CPCQ	Other recivebles - related parties	YES	304,737	181,929	98,340	1.6774	2	-	working capital	-	None	None	342,599	342,599
3	CPSZ	CPCQ	Other recivebles - related parties	YES	244,700	122,925	122,925	1.6774	2	-	working capital	-	None	None	356,893	356,893

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2013.

Note 3: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Note 4: The numbers filled in the column of ‘Nature of loan are as follows:

(1) The business transaction is ‘1’.

(2) The short-term financing is ‘2’.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6:(1) Total financing amount should not exceed the Company’s stockholders’ equity and

a. the total financing amount to any individual party should not exceed 40% of the Company’s stockholders’ equity for the purpose of short-term financing.

b. the total financing amount to any individual party should not exceed 50% of the Company’s stockholders’ equity and the amount of sales/purchase during the year for the purpose of business.

(2) Total financing amount should not exceed 40% of the subsidiary’s stockholders’ equity and

a. the total financing amount to any individual party should not exceed 40% of the subsidiary’s stockholders’ equity for the purpose of short-term financing.

b. the total financing amount to any individual party should not exceed 50% of the subsidiary's stockholders' equity and the amount of sales/purchase during the year for the purpose of business.

(3) For the purpose of loan between the Company's foreign subsidiaries , for which the Company have 100% shares directly or indirectly, the individual financing amount should not exceed 30% of the Company's stockholders' equity, the financing period should not exceed three years, and the total financing amount should not exceed 40% of the Company's stockholders' equity.

(4) Except for (3), the financing period should not exceed one year.

B. Provision of endorsements and guarantees to others:

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2013	Outstanding endorsement/ guarantee amount at December 31, 2013	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note3)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 3)	Provision of endorsements/ guarantees to the party in Mainland China (Note 3)	Foot note
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	The Company	CPI	1	$ 2,352,717	$ 300,250	$ 148,975	$ 148,975	$ -	2.48	$ 2,940,896	Y	-	-	-
0	The Company	CPHK	1	2,352,717	2,183,795	1,072,620	-	-	17.87	2,940,896	Y	-	-	-
0	The Company	CPCQ	1	2,352,717	450,375	297,950	-	-	4.96	2,940,896	Y	-	Y	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

(1) The Company is the subsidiary of the party.

(2) The Company have business dealings with the party.

(3) The party is the subsidiary of the Company.

(4) Subsidiaries which the Company has shares exceeding 90% directly or indirectly.

(5) The party which own the Company's shares exceeding 50% directly or indirectly.

Note 3:(1) Total guarantee amount of the Company is limited to 49% of the Company's stockholders' equity. The Company's guarantee to each individual entity is limited to 80% of the total guarantee amount.

(2) Total guarantee amount is limited to subsidiaries's stockholders' equity. The subsidiaries's guarantee to each individual entity is limited to 50% of the total guarantee amount.

(3) Total guarantee amount of the Group is limited to 49% of the Company's stockholders' equity. The Group's guarantee to each individual entity is limited to 80% of the total guarantee amount.

(4) Total gurerntee amount, except the above mentioned restriction, to any individual party should not exceed the amount of sale/purchase during the year for the purpose of business.

(5) Guarantee between the subsidiaries where the Company has shares exceeding 90% directly or indirectly should not exceed 10% of the Company's stockholders' equity, except the subsidiaries that the Company has shares exceeding 100% directly or indirectly.

(6) Total guarantee amount is limited to the Company's stockholders' equity when the Company or its subsidiaries take guarantee procedures to the entity whose stockholder's equity is lower than 50% of its stockholders' equity.

(7) Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

C. Holding of marketable securities at the end of the period (not including subsidiaries and associates):

Securities held by	Marketable securities		Relationship with the securities issuer	General ledger account	As of December 31, 2013			
					Number of shares	Book value	Ownership	Fair value
The Company	Common stock	CLEVO CO.	Common chairman	Available-for-sale financial assets - current	4,538,000	$ 292,247	0.65	$ 292,247
The Company	Common stock	Everlight Electronics Co., Ltd.	-	Available-for-sale financial assets - current	300,000	20,550	0.07	20,550
The Company	Common stock	KINSUS INTERCONNECT TECHNOLOGY CORP.	-	Available-for-sale financial assets - current	200,000	19,780	0.04	19,780
The Company	Common stock	TWi Pharmaceuticals, Inc.	-	Available-for-sale financial assets - current	10,000	3,155	0.01	3,155
The Company	Common stock	Silergy Corp.	-	Available-for-sale financial assets - current	15,000	3,435	0.02	3,435
The Company	Common stock	PharmaEngine, Inc.	-	Available-for-sale financial assets - current	260,000	55,120	0.26	55,120
The Company	Common stock	China Man-Made Fiber Corporation	-	Available-for-sale financial assets - current	2,250,000	28,350	0.16	28,350
The Company	Private equity	Genesis Photonics Inc.	-	Available-for-sale financial assets - non-current	8,699,899	112,838	2.99	112,838
The Company	Common stock	LumenMax Optoelectronics Co., Ltd.	Corporate director	Investments carried at cost	936,279	-	5.85	-
CPI	Common stock	ZTE Corporation	-	Available-for-sale financial assets - current	1,492,000	88,437	0.04	88,437
CPI	Common stock	Anxin-China Holdings Ltd.	-	Available-for-sale financial assets - current	4,836,000	45,781	0.16	45,781
CPI	Common stock	Sinopharm Group Co. Ltd.	-	Available-for-sale financial assets - current	260,800	22,303	0.01	22,303
CPI	Common stock	Samsung Electronics Co., Ltd.	-	Available-for-sale financial assets - current	580	22,559	-	22,559

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.
E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more:

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
The Company	KAPOK	Other related party	Sales	($ 257,765)	1.08	60 days	Note 1	Note 1	$ 103,372	1.38	-
The Company	CPUS	Subsidiary	Sales	(217,247)	0.91	90 days	Note 1	Note 1	43,797	0.59	-
The Company	Chicony Electronics (Dong Guan)	Affiliate	Sales	(112,252)	0.47	90 days	Note 1	Note 1	4,570	0.06	-
CPI	The Company	The Company	Sales	(21,491,779)	92.66	45 days	Note 1	Note 1	3,618,853	78.71	-
CPI	HDG	Subsidiary	Sales	(565,058)	2.43	45 days	Note 1	Note 1	-	-	-
CPI	CPSZ	Subsidiary	Sales	(595,932)	2.57	45 days	Note 1	Note 1	-	-	-
CPI	CPCQ	Subsidiary	Sales	(200,564)	0.86	45 days	Note 1	Note 1	-	-	-
CPI	Mao-Ray (Dong Guan)	Affiliate	Sales	(157,529)	0.68	90 days	Note 1	Note 1	19,683	0.85	-
HDG	CPI	Subsidiary	Sales	(10,561,779)	100	45 days	Note 1	Note 1	1,172,691	62.39	-
CPSZ	CPI	Subsidiary	Sales	(7,158,933)	88.82	45 days	Note 1	Note 1	1,752,049	74.04	-
CPSZ	Chicony Electronics (Suzhou)	Affiliate	Sales	(522,840)	6.47	90 days	Note 1	Note 1	321,741	13.6	-
CPSZ	Mao-Ray (Dong Guan)	Affiliate	Sales	(142,221)	1.76	90 days	Note 1	Note 1	72,753	3.08	-
GSE	CPI	Subsidiary	Sales	(1,286,517)	96.81	45 days	Note 1	Note 1	324,559	95.51	-
CPCQ	CPI	Subsidiary	Sales	(3,554,056)	98.43	45 days	Note 1	Note 1	655,119	87.01	-
The Company	CPI	Subsidiary	Purchases	21,491,779	99.75	45 days	Note 2	Note 2	(3,618,853)	99.51	-
CPUS	The Company	The Company	Purchases	217,247	100	90 days	Note 2	Note 2	(43,797)	100	-
HDG	CPI	Subsidiary	Purchases	565,058	62.21	45 days	Note 2	Note 2	-	-	-
CPSZ	CPI	Subsidiary	Purchases	595,932	8.75	45 days	Note 2	Note 2	-	-	-
CPCQ	CPI	Subsidiary	Purchases	200,564	6.14	45 days	Note 2	Note 2	-	-	-
CPI	HDG	Subsidiary	Purchases	10,561,779	46.31	45 days	Note 2	Note 2	(1,172,691)	20.77	-
CPI	CPSZ	Subsidiary	Purchases	7,158,933	32.3	45 days	Note 2	Note 2	(1,752,049)	31.04	-
CPI	GSE	Subsidiary	Purchases	1,286,517	5.64	45 days	Note 2	Note 2	(324,559)	5.75	-
CPI	CPCQ	Subsidiary	Purchases	3,554,056	15.58	45 days	Note 2	Note 2	(655,119)	11.61	-

Note 1: The terms of the sales to related parties were not significant different from those of sales to third parties.
Note 2: The terms of the purchases to related parties were not significant different from those of purchases to third parties.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more:

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2013（Note 1）	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
CPI	CPUS	Subsidary	$ 144,804	-	$ -	-	$ -	$ -
CPI	CPHK	Subsidary	1,048,784	-	-	-	-	-
CPSZ	CPCQ	Subsidary	122,925	-	-	-	-	-
The Company	KAPOK	Other related party	103,372	3.49	-	-	42,393	-
CPI	The Company	The Company	3,618,853	6.24	-	-	3,477,116	-
CPSZ	CPI	Subsidary	1,752,049	4.66	-	-	1,146,497	-
GSE	CPI	Subsidary	324,559	4.09	-	-	235,380	-
CPCQ	CPI	Subsidary	655,119	7.6	-	-	597,935	-
HDG	CPI	Subsidary	1,172,691	10.99	-	-	1,172,691	-
CPSZ	Chicony Electronics (Suzhou)	Affiliate	321,741	2.78	-	-	197,823	-

I. Derivative financial instruments undertaken during the year ended December 31, 2013: Please refer to Notes 6(2) and 12(3).

J. Significant inter-company transactions during the year ended December 31, 2013:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
0	The Company	CPHK	1	Guarantee	$ 1,072,620	Note 6	6.45
1	CPI	The Company	2	Sales	21,491,779	Note 4	85.84
1	CPI	The Company	2	Accounts receivable - related-party	3,618,853	Note 4	21.77
1	CPI	HDG	3	Sales	565,058	Note 4	2.26
1	CPI	CPSZ	3	Accounts receivable - related-party	595,932	Note 4	2.38
1	CPI	CPHK	3	Other receivable - related-party	1,048,784	Note 5	6.31
2	CPCQ	CPI	3	Sales	3,554,056	Note 4	14.19
2	CPCQ	CPI	3	Accounts receivable - related-party	655,119	Note 4	3.94
3	HDG	CPI	3	Sales	10,561,779	Note 4	42.18
3	HDG	CPI	3	Accounts receivable - related-party	1,172,691	Note 4	7.05
4	CPSZ	CPI	3	Sales	7,158,933	Note 4	28.59
4	CPSZ	CPI	3	Accounts receivable - related-party	1,752,049	Note 4	10.54
5	GSE	CPI	3	Sales	1,286,517	Note 4	5.14
5	GSE	CPI	3	Accounts receivable - related-party	324,559	Note 4	1.95

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on year-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Depends on the transaction quantity and the market situation.

Note 5: The terms of related parties loans depend on both parties' operation situation.

Note 6: Follow Company's policy.

(2) Information on investees(not including investees in Mainland China)

				Initial investment amount		Shares held as at December 31, 2013					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2013	Balance as at December 31, 2012	Number of shares	Ownership (%)	Book value	of the investee for the year ended December 31, 2013	income(loss) recognised by the Company for the year ended	Footnote
The Company	Chicony Power Holdings Inc. (CPH)	BVI	Investment holdings	$ 326,350	$ 326,350	10,000,000	100	$ 1,571,879	$ 383,752	$ 347,232	Subsidiary
The Company	Newmax Technology Co., Ltd.	Taiwan	Manufacturing and sales of lenses	358,590	294,350	2,762,779	2.72	331,937	163,314	3,836	Investment accounted under equity method
CPH	Chicony Power International Inc. (CPI)	Cayman Island	Sales of switching power supplies and other electronic parts	USD 10,000	USD 10,000	10,000,000	100	1,641,889	383,792	-	Subsidiary
CPI	Chicony Power USA, Inc.(CPUS)	U.S.A	Sales of switching power supplies and other electronic parts	USD 1,317	USD 317	1,500,000	100	13,191	(833)	-	Subsidiary
CPI	Chicony Power Technology Hong Kong Limited(CPHK)	Hong Kong	Research and development center	HKD 85,800	HKD 85,800	46,800,000	100	1,210,794	157,807	-	Subsidiary

(3) Information on investments in Mainland China

Investee in Mainland China	Main business activities	Paid-in capital	Investment method （Note 1）	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2013	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2013		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2013	Net income of investee as of December 31, 2013	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2013 （Note 2）	Book value of investments in Mainland China as of December 31, 2013	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2013	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hipro Electronics (Dong Guan) Co., Ltd.	Manufacturing and sales of switching power supplies and other electronics parts	$ 401,343	2	$ 114,408	$ -	$ -	$ 114,408	($ 43,341)	100	($ 43,341)	$ 856,497	$ -	-
Chicony Power Technology (Suzhou) Co., Ltd.	Manufacturing and sales of electronics compnents and LED lighting equipments	239,442	2	45,197	-	-	45,197	187,316	100	187,316	892,233	-	-
Quang Sheng Electronics (Nangchang) Co., Ltd.	Manufacturing and sales of electronics compnents and transformers	131,175	2	33,573	-	-	33,573	7,704	100	7,944	205,436	-	-
Chicony Power Technology (Chong Qing) Co., Ltd.	Manufacturing and sales of electronics compnents and LED lighting equipments	301,744	2	-	-	-	-	12,882	100	12,882	303,111	-	-
Chicony Power Technology Trading (Dong Guan) Co., Ltd.	Importing and exporting of power supplies, LED lighting equipments, and other electronics	10,491	2	-	-	-	-	(54)	100	(54)	10,749	-	-

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2013	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2013		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2013	Net income of investee as of December 31, 2013	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2013 (Note 2)	Book value of investments in Mainland China as of December 31, 2013	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2013	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Chicony Energy Saving Technology (Shanghai) Co., Ltd.	Sales of LED lighting equipments	44,379	2	-	-	-	-	2,484	100	2,484	45,742	-	-

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2013	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
$ 193,178	$ 506,042	$ 3,601,097

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China..

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China (the third area is Chicony Power Technology Hong Kong Limited).

(3) Others

Note 2: Based on the financial statements audited by the investee companys' CPA.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

14. OPERATING SEGMENT INFORMATION

(1) General information

The chief operating decision-maker considers the business from a geographic and product type perspective; geographically, the Group currently focuses on wholesale in Taiwan, Mainland China and US.

(2) Measurement of segment information

The chief operating decision-maker evaluates the performance of the operating segments based on a measure of adjusted EBITDA. Interest income and expense are not allocated to operating segments, as this type of activity is driven by the Group's central treasury function, which manages the cash position of the group.

(3) Information about segment profit or loss, assets and liabilities

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

For the year ended December 31, 2013	Taiwan	Mainland China	US	Total
Revenue from external customers	$ 23,614,836	$ 900,553	$ 540,615	$ 25,056,004
Inter-segment revenue	219,494	22,980,439	31,051,688	54,251,621
Total segment revenue	$ 23,834,330	$ 23,880,992	$ 31,592,303	$ 79,307,625
Segment profit (Note)	$ 900,512	$ 723,015	$ 257,698	$ 1,881,225
Depreciation, amortisation, other non-current assets transferred to expenses and long-term prepaid rents transferred to expenses	($ 62,135)	($ 426,506)	($ 28,724)	($ 517,365)

For the year ended December 31, 2012	Taiwan	Mainland China	US	Total
Revenue from external customers	$ 22,592,165	$ 744,850	$ 279,275	$ 23,616,290
Inter-segment revenue	224,687	22,341,033	22,607,626	45,173,346
Total segment revenue	$ 22,816,852	$ 23,085,883	$ 22,886,901	$ 68,789,636
Segment profit (Note)	$ 719,959	$ 603,553	$ 111,750	$ 1,435,262
Depreciation, amortisation, other non-current assets transferred to expenses and long-term prepaid rents transferred to expenses	($ 53,213)	($ 323,112)	($ 34,521)	($ 410,846)

Note: Excludes depreciation, amortization, other non-current assets transferred to expenses and long-term prepaid rents transferred to expenses.

(4) Reconciliation for segment income

Sales between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2013 and 2012 is provided as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Reportable segments profit	$ 1,881,225	$ 1,435,262
Depreciation	(432,529)	(339,105)
Amortisation	(18,699)	(23,816)
Other non-current assets transferred to expenses	(61,246)	(45,735)
Long-term prepaid rents transferred to expenses	(4,891)	(2,190)
Elimination and adjustment	(66,151)	44,474
Operations before income tax operations	$ 1,297,709	$ 1,068,890

(5) Information on products and services

Revenue from third parties are mainly derived from the sale of computer peripheral products, consumer electronic products and other electronic products as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Computer peripheral products	$ 18,264,530	$ 18,984,370
Consumer electronic products	6,010,169	3,710,393
Other electronic products	781,305	921,527
Total	$ 25,056,004	$ 23,616,290

(6) Geographical information

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

	For the year ended December 31, 2013		For the year ended December 31, 2012	
	Revenue	Non-current assets	Revenue	Non-current assets
Asia	$ 20,793,531	$ 3,221,340	$ 21,080,113	$ 2,819,381
US	3,602,354	88,966	1,627,292	61,486
Europe	639,426	-	875,147	-
Others	20,693	-	33,738	-
Total	$ 25,056,004	$ 3,310,306	$ 23,616,290	$ 2,880,867

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2013 and 2012 is as follows:

	For the year ended December 31, 2013		For the year ended December 31, 2012	
	Revenue	%	Revenue	%
Company A	$ 5,305,812	21	$ 4,643,398	20
Company B	2,487,695	10	-	-
	$ 7,793,507	31	$ 4,643,398	20

15. DISCLOSURES RELATING TO FIRST-TIME ADOPTION OF IFRSs

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

(1) Exemptions elected by the Group

A. Business combinations

The Group has elected not to apply the requirements in IFRS 3, 'Business Combinations', retrospectively to business combinations that occurred prior to the date of transition to IFRSs ("the transition date").

B. Share-based payment transactions

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

C. Employee benefits

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

D. Cumulative translation differences

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

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

A. Accounting estimates

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

B. Derecognition of financial assets and financial liabilities

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

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

IFRS 1 requires that an entity should prepare reconciliations for equity, comprehensive income and cash flows for the comparative periods. The Group’s initial application of IFRSs has no significant effect on cash flows from operating activities, investing activities and financing activities. Reconciliations for equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown below:

A. Reconciliation for equity on January 1, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current assets				
Cash and cash equivalents	$ 375,697	$ -	$ 375,697	
Financial assets at fair value through profit or loss - current	24,904	-	24,904	
Available-for-sale financial assets - current	556,594	-	556,594	
Notes receivable	911	-	911	
Accounts receivable	5,416,513	-	5,416,513	
Accounts receivable - related parties	180,644	-	180,644	
Other receivables	353,911	-	353,911	
Inventories	2,710,945	-	2,710,945	
Prepayments	85,481	-	85,481	
Current income tax assets	39,739	(39,739)	-	(a)
Other current assets	2,744	-	2,744	
Total current assets	9,748,083	(39,739)	9,708,344	
Non-current assets				
Available-for-sale financial assets - non-current	314,036	-	314,036	
Investments accounted for under equity method	296,313	-	296,313	
Property, plant and equipment	2,306,488	(50,251)	2,256,237	(b)
Intangible assets	88,102	(68,826)	19,276	(c)
Deferred income tax assets	3,546	45,459	49,005	(a)(d)(e)
Other non-current assets	80,706	119,077	199,783	(b)(c)
Total non-current assets	3,089,191	45,459	3,134,650	
Total assets	$ 12,837,274	$ 5,720	$12,842,994	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current liabilities				
Short-term borrowings	$ 923,240	$ -	$ 923,240	
Short-term notes and bills payable	300,000	-	300,000	
Financial liabilities at fair value through profit or loss - current	884	-	884	
Notes payable	200	-	200	
Accounts payable	4,636,832	-	4,636,832	
Accounts payable - related parties	333	-	333	
Other payables	1,028,789	27,331	1,056,120	(d)
Other payables - related parties	27,359	-	27,359	
Current income tax liabilities	144,683	-	144,683	
Other current liabilities	1,886,857	-	1,886,857	
Total current liabilities	8,949,177	27,331	8,976,508	
Non-current liabilities				
Other non-current liabilities	6,097	6,316	12,413	(e)
Total Liabilities	8,955,274	33,647	8,988,921	
Equity attributable to owners of the parent				
Common share	2,761,839	-	2,761,839	
Capital surplus	205,490	-	205,490	
Retained earnings				
Legal reserve	74,882	-	74,882	
Special reserve	-	205,324	205,324	(f)
Unappropriated retained earnings	910,087	-	910,087	(d)(e)(f)
Other equity	(70,298)	(233,251)	(303,549)	(f)
Total equity	3,882,000	(27,927)	3,854,073	
Total liabilities and equity	$ 12,837,274	$ 5,720	$12,842,994	

B. Reconciliation for equity on December 31, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current assets				
Cash and cash equivalents	$ 396,489	$ -	$ 396,489	
Financial assets at fair value through profit or loss - current	18,050	-	18,050	
Available-for-sale financial assets - current	313,890	-	313,890	
Notes receivable	687	-	687	
Accounts receivable	6,798,059	-	6,798,059	
Accounts receivable - related parties	259,937	-	259,937	
Other receivables	137,663	-	137,663	
Othes receivable - related parties	16,174	-	16,174	
Inventories	3,120,661	-	3,120,661	
Prepayments	215,752	-	215,752	
Current income tax assets	91,877	(91,877)	-	(a)
Other current assets	4,305	-	4,305	
Total current assets	11,373,544	(91,877)	11,281,667	
Non-current assets				
Available-for-sale financial assets - non-current	144,218	-	144,218	
Financial assets measured at cost - non-current	9,519	-	9,519	
Investments accounted for under equity method	283,976	-	283,976	
Property, plant and equipment	2,652,623	(54,243)	2,598,380	(b)
Intangible assets	155,027	(132,796)	22,231	(c)
Deferred income tax assets	21,364	97,597	118,961	(a)(d)(e)
Other non-current assets	73,217	187,039	260,256	(b)(c)
Total non-current assets	3,339,944	97,597	3,437,541	
Total assets	$ 14,713,488	$ 5,720	$14,719,208	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current liabilities				
Short-term borrowings	$ 1,304,436	$ -	$ 1,304,436	
Notes payable	211	-	211	
Accounts payable	5,849,237	-	5,849,237	
Accounts payable - related parties	416	-	416	
Other payables	1,142,446	37,301	1,179,747	(d)
Other payables - related parties	34,733	-	34,733	
Current income tax liabilities	127,278	-	127,278	
Other current liabilities	59,598	-	59,598	
Total current liabilities	8,518,355	37,301	8,555,656	
Non-current liabilities				
Long-term borrowings	1,541,281	-	1,541,281	
Other non-current liabilities	11,832	11,582	23,414	(e)
Total non-current liabilities	1,553,113	11,582	1,564,695	
Total Liabilities	10,071,468	48,883	10,120,351	
Equity attributable to owners of the parent				
Common share	3,257,969	-	3,257,969	
Capital surplus	239,050	-	239,050	
Retained earnings				
Legal reserve	157,671	-	157,671	
Special reserve	-	205,324	205,324	(f)
Unappropriated retained earnings	1,187,503	(15,236)	1,172,267	(d)(e)(f)
Other equity	(200,173)	(233,251)	(433,424)	(f)
Total equity	4,642,020	(43,163)	4,598,857	
Total liabilities and equity	$ 14,713,488	$ 5,720	$14,719,208	

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

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Operating revenue	$ 23,616,290	$ -	$23,616,290	
Operating costs	(20,451,133)	-	(20,451,133)	
Gross profit	3,165,157	-	3,165,157	
Operating expenses				
Selling expenses	(754,765)	-	(754,765)	
General & administrative expenses	(505,327)	(9,346)	(514,673)	(d)(e)
Research and development expenses	(826,829)	-	(826,829)	
Operating profit	1,078,236	(9,346)	1,068,890	
Non-operating revenue and expenses				
Other income	156,259	-	156,259	
Other gains and losses	(129,022)	-	(129,022)	
Finance costs	(47,315)	-	(47,315)	
Share of loss of associates and joint ventures accounted for under equity method	(4,105)	-	(4,105)	
Profit before income tax	1,054,053	(9,346)	1,044,707	
Income tax expense	(141,480)	-	(141,480)	
Profit for the year	912,573	(9,346)	903,227	
Other comprehensive income				
Cumulative translation differences	-	(31,897)	(31,897)	
Unrealised loss on valuation of available-for-sale financial assets	-	(96,878)	(96,878)	
Actuarial loss on defined benefit plan	-	(5,890)	(5,890)	(e)
Share of other comprehensive income of associates and joint ventures accounted for under equity method	-	(1,100)	(1,100)	
Other comprehensive loss for the year, net of tax	-	(135,765)	(135,765)	
Total comprehensive income for the year	$ 912,573	($ 145,111)	$ 767,462	

Reasons for reconciliation are outlined below:

(a) In accordance with R.O.C. GAAP, a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting, should be classified as current or noncurrent according to the expected time period to realise or settle a deferred tax asset or liability. However, under IAS 1, ‘Presentation of Financial Statements’, an entity should not classify a deferred tax asset or liability as current.

Therefore, the Company reclassified “Deferred tax assets - current” amounting to $39,739 to the “Dferred income tax assets - non current” account at the date of transition to IFRSs.

As of December 31, 2012, the Company’s deferred tax assets– non current increased by $91,877 and deferred tax assets – current decreased by $91,877.

(b) Prepayment for acquisition of property, plant and equipment is presented in ‘Property, plant and equipment’ in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”. However, such prepayment should be presented in ‘Other non-current assets’ based on its nature under IFRSs.

Therefore, the Company reclassified the amounts of $50,251 from “Property, Plant and Equipment” to “Other Non-Current Assets” at the date of transition to IFRSs.

As of December 31, 2012, the Company’s other non-current assets increased by $54,243 and property, plant and equipment decreased by $54,243.

(c) R.O.C. GAAP specify that royalties paid on acquisition of land use right shall be presented as ‘Intangible assets’. However, IAS 17, ‘Leases’, specifies that royalties on land use right, which meets the definition of long-term operating lease, shall be presented as ‘Long-term rental prepayment’.

Therefore, the Company reclassified the amounts of $68,826 from ‘Intangible assets’ to “Other Non-Current Assets” at the date of transition to IFRSs.

As of December 31, 2012, the Company’s other non-current assets increased by $132,796 and intangible assets decreased by $132,796.

(d) R.O.C. GAAP does not specify the rules on recognition of the cost of accumulated unused compensated absences. The Group recognised such cost as expense upon actual payment. However, IAS 19, ‘Employee Benefits’, requires that cost of accumulated unused compensated absences should be accrued as expense at the balance sheet date.

Therefore, the Group’s other payable increased by $27,331, deferred tax assets – non current increased by $4,646 and retained earnings decreased by $22,685 at the transition date.

During 2012, the Company’s operating expense increased by $9,970. As of December 31, 2012, the Company’s other payable increased by $37,301, deferred tax assets – non current increased by $4,646 and intangible assets decreased by $32,655.

(e) Pensions

i. The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, ‘Employee Benefits’, requires an entity to determine the rate used to discount employee benefits with reference to market yields at the end of the reporting period on high quality corporate bonds of a currency and term consistent with the currency and term of the benefit obligation; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end of the reporting period) instead.

ii. In accordance with the Group's accounting policies, unrecognised transitional net benefit obligation should be amortised on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, the transitional provisions in IAS 19 are not applied to the Group as the first-time adopter of IFRSs, so the Group has no unrecognised transitional liabilities.

iii. In accordance with R.O.C. GAAP, actuarial pension gain or loss of the Group is recognised in net pension cost of current period using the 'corridor' method. However, in accordance with IAS 19, 'Employee Benefits', the Group selects to recognise immediately actuarial pension gain or loss in retained earnings.

Therefore, the Group's other non-current liabilities increased by $6,316, deferred tax assets – non current increased by $1,074 and retained earnings decreased by $5,242 at the transition date.

During 2012, the Company's operating expense decreased by $624. As of December 31, 2012, the Company's other non-current liabilities increased by $11,582, deferred tax assets – non current increased by $1,074 and actuarial loss on defined benefit plan decreased by $5,890, retained earnings decreased by $10,508. The actuarial loss on defined benefit plan was transferred to retained earnings in current period immediately.

(f) The Company has selected to reset the cumulative translation differences arising on the translation of the financial statements of foreign entities to zero, and transferred to retained earnings $233,251 at the opening IFRS balance sheet date. The subsequent translation differences are treated in accordance with IAS21 "Effects of Changes in Foreign Exchange Rates". According to Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, the Company should set aside the same amount of special reserve with cumulative translation differences transferred to retained earnings due to adoption of IFRS 1.

Therefore, the Company's cumulative translation adjustments decreased by $233,251, and actuarial pension loss increased by $5,242, unused compensated absences increased by $22,685, retained earnings increased by $205,324 and special reserve increased by $205,324 at the transition date.

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

(a) The transition from R.O.C. GAAP to IFRSs has no effect on the Group's cash flows reported.

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