Wah Lee Industrial Corporation and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Wah Lee Industrial Corporation

We have audited the accompanying consolidated balance sheets of Wah Lee Industrial Corporation (the "Corporation") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Corporation'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 subsidiary Wah Lee Tech (Singapore) Pte., Ltd., and certain investee companies which were the bases for the reported investments under equity method. Such financial statements were audited by other auditors whose reports have been furnished to us. Accordingly, our opinion insofar as it relates to the financial data of those investee companies as included in the accompanying financial statements is solely based on the other auditors' reports. The financial statements of Wah Lee Tech (Singapore) Pte., Ltd. reflected total assets of NT$518,797 thousand and NT$407,792 thousand, both representing 2% of total consolidated assets, and total liabilities of NT$336,133 thousand and NT$243,768 thousand, both representing 2% of total consolidated liabilities, as of December 31, 2013 and 2012, respectively; and reflected comprehensive income of NT$13,502 thousand and NT$15,515 thousand, both representing 1% of total consolidated comprehensive income, for the years ended December 31, 2013 and 2012, respectively. The carrying value of the investments accounted for using equity method was NT$669,976 thousand and NT$646,623 thousand, both representing 3% of total consolidated assets, as of December 31, 2013 and 2012, respectively; and the share of profit of associates recognized under equity method was NT$68,570 thousand and NT$77,832 thousand, representing 4% and 6% of consolidated profit before income tax, for the years ended December 31, 2013 and 2012, respectively.

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

In our opinion, based on our audits and the other auditors' reports, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2013, December 31, 2012 and January 1, 2012, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

March 26, 2014

<u>Notice to Readers</u>

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

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

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2013 Amount	%	December 31, 2012 Amount	%	January 1, 2012 Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 7)	$ 2,984,593	13	$ 1,576,396	8	$ 1,320,835	7
Financial assets at fair value through profit or loss - current (Notes 4, 5 and 8)	-	-	-	-	10,055	-
Available-for-sale financial assets - current (Notes 4 and 9)	354,353	2	162,914	1	348,591	2
Notes receivable (Notes 4, 10 and 28)	1,009,772	5	753,999	4	616,827	3
Accounts receivable, net (Notes 4, 5 and 10)	8,402,465	36	7,739,942	38	7,135,208	38
Accounts receivable - related parties (Notes 4, 5, 10 and 28)	60,485	-	65,878	-	49,141	-
Other receivables	37,905	-	50,298	-	112,711	1
Other receivables - related parties (Note 28)	2,949	-	3,415	-	5,084	-
Current tax assets (Notes 4 and 23)	1,382	-	-	-	-	-
Inventories (Notes 4 and 11)	3,081,312	13	2,649,570	13	3,228,657	17
Prepayment and others	205,557	1	248,437	1	390,727	2
Other financial assets - current (Notes 4 and 12)	932,945	4	1,680,295	8	791,176	4
Total current assets	17,073,718	74	14,931,144	73	14,009,012	74
NONCURRENT ASSETS						
Financial assets at fair value through profit or loss - noncurrent (Notes 5 and 8)	-	-	93,285	1	91,350	1
Available-for-sale financial assets - noncurrent (Notes 4, 5 and 9)	245,325	1	452,232	2	271,423	1
Investments accounted for using equity method (Notes 4 and 13)	4,007,683	17	3,511,235	17	3,172,402	17
Property, plant and equipment (Notes 4, 5, 14 and 29)	1,344,208	6	1,008,599	5	1,017,981	5
Goodwill (Notes 4 and 5)	31,654	-	31,186	-	32,410	-
Computer software (Note 4)	29,233	-	37,032	-	47,673	-
Deferred tax assets (Notes 4 and 23)	152,209	1	144,661	1	144,727	1
Prepayments for equipment (Note 30)	128,754	1	36,667	-	239	-
Refundable deposits (Note 25)	86,714	-	76,304	1	92,795	1
Other noncurrent assets (Note 29)	27,527	-	44,028	-	45,051	-
Total noncurrent assets	6,053,307	26	5,435,229	27	4,916,051	26
TOTAL	$ 23,127,025	100	$ 20,366,373	100	$ 18,925,063	100

LIABILITIES AND EQUITY	December 31, 2013 Amount	%	December 31, 2012 Amount	%	January 1, 2012 Amount	%
CURRENT LIABILITIES						
Short-term loans (Notes 15 and 29)	$ 3,992,832	17	$ 3,632,371	18	$ 3,353,925	18
Short-term bills payable (Note 16)	150,000	1	-	-	50,000	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 5 and 8)	-	-	-	-	249	-
Notes payable (Note 17)	418,486	2	327,099	2	585,112	3
Notes payable - related parties (Notes 17 and 28)	232,194	1	201,807	1	200,396	1
Accounts payable (Note 17)	4,810,764	21	4,127,371	20	3,306,595	18
Accounts payable - related parties (Notes 17 and 28)	233,949	1	274,279	1	241,781	1
Other payables (Note 19)	690,719	3	539,124	3	573,824	3
Current tax liabilities (Notes 4 and 23)	170,787	1	79,477	-	130,032	1
Provisions - current (Note 4)	24,630	-	17,851	-	8,645	-
Current portion of long-term debts (Notes 18 and 29)	13,830	-	9,034	-	9,034	-
Other current liabilities	55,148	-	84,161	1	145,686	1
Total current liabilities	10,793,339	47	9,292,574	46	8,605,279	46
NONCURRENT LIABILITIES						
Long-term debts (Notes 18 and 29)	1,799,640	8	1,561,373	8	1,569,207	8
Provision - noncurrent (Note 4)	14,760	-	14,760	-	14,022	-
Accrued pension liabilities	268,501	1	281,887	1	262,442	2
Guarantee deposits received	701	-	684	-	1,453	-
Deferred tax liabilities (Notes 4 and 23)	594,356	2	467,036	2	429,946	2
Total noncurrent liabilities	2,677,958	11	2,325,740	11	2,277,070	12
Total liabilities	13,471,297	58	11,618,314	57	10,882,349	58
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 21)						
Share capital						
Ordinary shares	2,313,901	10	2,313,901	11	2,313,901	12
Capital surplus	1,259,555	5	1,246,456	6	1,210,839	7
Retained earnings						
Legal reserve	1,348,252	6	1,250,139	6	1,154,916	6
Special reserve	72,302	-	72,302	1	72,302	-
Unappropriated earnings	3,608,841	16	3,116,164	15	2,767,012	15
Total retained earnings	5,029,395	22	4,438,605	22	3,994,230	21
Other equity	343,111	2	174,276	1	23,581	-
Total equity attributable to owners of the Corporation	8,945,962	39	8,173,238	40	7,542,551	40
NON-CONTROLLING INTERESTS (Note 21)	709,766	3	574,821	3	500,163	2
Total equity	9,655,728	42	8,748,059	43	8,042,714	42
TOTAL	$ 23,127,025	100	$ 20,366,373	100	$ 18,925,063	100

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

(With Deloitte & Touche audit report dated March 26, 2014)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUES (Note 28)				
Net sales	$ 34,240,455	100	$ 31,329,267	99
Commission revenue	118,940	-	176,352	1
Other operating revenue	39,003	-	39,655	-
Total operating revenues	34,398,398	100	31,545,274	100
OPERATING COSTS (Notes 11 and 28)				
Cost of goods sold	31,268,906	91	28,667,865	91
Other operating costs	25,347	-	19,524	-
Total operating costs	31,294,253	91	28,687,389	91
GROSS PROFIT	3,104,145	9	2,857,885	9
OPERATING EXPENSES (Notes 20 and 22)				
Selling and marketing expenses	1,660,589	5	1,643,999	5
General and administrative expenses	424,768	1	370,275	1
Total operating expenses	2,085,357	6	2,014,274	6
OPERATING INCOME	1,018,788	3	843,611	3
NON OPERATING INCOME AND EXPENSES				
Other income (Note 22)	196,429	-	155,704	-
Other gains and losses (Note 22)	199,385	1	(12,260)	-
Financial costs (Note 22)	(80,565)	-	(79,521)	-
Share of the profit or loss of associates	304,762	1	415,701	1
Total non-operating income and expenses	620,011	2	479,624	1
PROFIT BEFORE INCOME TAX	1,638,799	5	1,323,235	4
INCOME TAX EXPENSE (Notes 4 and 23)	399,776	1	276,427	1
NET PROFIT FROM CONTINUING OPERATIONS	1,239,023	4	1,046,808	3
OTHER COMPREHENSIVE INCOME (Notes 21 and 23)				
Exchange differences on translating foreign operations	204,327	-	(102,905)	-

(Continued)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
Unrealized gain on available-for-sale financial assets	$ (35,573)	-	$ 234,385	1
Actuarial gain and loss arising from defined benefit plans	15,347	-	(11,972)	-
Share of the other comprehensive income of associates	60,366	-	12,838	-
Income tax relating to the components of other comprehensive income	(40,293)	-	22,771	-
Other comprehensive income for the year, net of income tax	204,174	-	155,117	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,443,197	4	$ 1,201,925	4
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,159,458		$ 987,772	
Non-controlling interests	79,565		59,036	
	$ 1,239,023		$ 1,046,808	
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,338,100		$ 1,127,267	
Non-controlling interests	105,097		74,658	
	$ 1,443,197		$ 1,201,925	
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	$ 5.01		$ 4.27	
Diluted	4.90		4.16	

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

(With Deloitte & Touche audit report dated March 26, 2014) (Concluded)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation									
			Retained Earnings			Other Equity				
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Subtotal	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2012	$ 2,313,901	$ 1,210,839	$ 1,154,916	$ 72,302	$ 2,767,012	$ -	$ 23,581	$ 7,542,551	$ 500,163	$ 8,042,714
Appropriation of 2011 earnings (Note 21)										
Legal reserve	-	-	95,223	-	(95,223)	-	-	-	-	-
Cash dividends distributed by the Corporation-23%	-	-	-	-	(532,197)	-	-	(532,197)	-	(532,197)
	-	-	95,223	-	(627,420)	-	-	(532,197)	-	(532,197)
Other changes in capital surplus										
Change in capital surplus from investments in associates accounted for by using equity method	-	35,617	-	-	-	-	-	35,617	-	35,617
Net profit for the year ended December 31, 2012	-	-	-	-	987,772	-	-	987,772	59,036	1,046,808
Other comprehensive income (loss) for the year ended December 31, 2012, net of income tax (Note 21)	-	-	-	-	(11,200)	(144,271)	294,966	139,495	15,622	155,117
Total comprehensive income (loss) for the year ended December 31, 2012	-	-	-	-	976,572	(144,271)	294,966	1,127,267	74,658	1,201,925
BALANCE AT DECEMBER 31, 2012	2,313,901	1,246,456	1,250,139	72,302	3,116,164	(144,271)	318,547	8,173,238	574,821	8,748,059
Appropriation of 2012 earnings (Note 21)										
Legal reserve	-	-	98,113	-	(98,113)	-	-	-	-	-
Cash dividends distributed by the Corporation-25%	-	-	-	-	(578,475)	-	-	(578,475)	-	(578,475)
	-	-	98,113	-	(676,588)	-	-	(578,475)	-	(578,475)
Other changes in capital surplus										
Change in capital surplus from investments in associates accounted for by using equity method	-	13,099	-	-	-	-	-	13,099	-	13,099
Net profit for the year ended December 31, 2013	-	-	-	-	1,159,458	-	-	1,159,458	79,565	1,239,023
Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax (Note 21)	-	-	-	-	9,807	227,423	(58,588)	178,642	25,532	204,174
Total comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	1,169,265	227,423	(58,588)	1,338,100	105,097	1,443,197
Increase in non-controlling interests (Note 21)	-	-	-	-	-	-	-	-	29,848	29,848
BALANCE AT DECEMBER 31, 2013	$ 2,313,901	$ 1,259,555	$ 1,348,252	$ 72,302	$ 3,608,841	$ 83,152	$ 259,959	$ 8,945,962	$ 709,766	$ 9,655,728

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

(With Deloitte & Touche audit report dated March 26, 2014)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,638,799	$ 1,323,235
Adjustments for:		
Depreciation expenses	73,665	74,372
Amortization expenses	11,392	11,049
Provision for doubtful accounts	16,911	28,706
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	3,285	(3,121)
Interest expenses	80,565	79,521
Interest income	(89,232)	(65,542)
Dividend income	(12,410)	(12,181)
Share of loss (profit) of associates	(304,762)	(415,701)
Loss (gain) on disposal of property, plant and equipment	(1,049)	1,500
Gain on disposal of investments	(74,509)	(4,201)
Impairment loss recognized on available-for-sale financial assets	-	26,027
Loss on inventories	31,519	21,714
Net gain on foreign currency exchange	(47,526)	(57,822)
Changes in operating assets and liabilities		
Notes receivable	(255,773)	(137,172)
Accounts receivable	(681,374)	(632,434)
Accounts receivable - related parties	5,393	(16,737)
Other receivable	26,972	62,413
Other receivable - related parties	466	1,669
Inventories	(466,361)	560,449
Prepayments and other current assets	41,498	142,290
Notes payable	91,387	(258,013)
Notes payable - related parties	30,387	1,411
Accounts payable	683,393	820,776
Accounts payable - related parties	(40,330)	32,498
Other payables	150,487	(9,780)
Provisions	6,779	9,944
Other current liabilities	(29,013)	(61,525)
Accrued pension liabilities	1,961	7,473
Cash generated from operations	892,520	1,530,818
Interest received	89,232	65,542
Dividend received	180,386	194,927
Interest paid	(78,324)	(79,491)
Income tax paid	(227,823)	(267,055)
Net cash generated from operating activities	855,991	1,444,741
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets designated as at fair value through profit and loss	90,000	10,302

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WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2013	**2012**
Acquisition of available-for-sale financial assets	$ (262,413)	$ (165,575)
Proceeds of sale of available-for-sale financial assets	301,440	372,823
Acquisition of associates	(286,151)	(83,898)
Proceeds from disposal of investments accounted for by equity method	-	19,110
Payments for property, plant and equipment	(429,336)	(99,770)
Proceeds from disposal of property, plant and equipment	2,549	2,741
Increase in refundable deposits	(51,835)	(39,485)
Decrease in refundable deposits	42,175	54,298
Payments for intangible assets	(3,214)	(352)
Decrease (increase) in other financial assets	747,350	(889,119)
Decrease in other noncurrent assets	16,501	1,023
Increase in prepayments for equipment	(92,087)	(36,428)
Net cash generated from (used in) investing activities	74,979	(854,330)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	11,008,538	12,132,477
Repayments of short-term loans	(10,600,551)	(11,796,209)
Increase (decrease) short-term bills payable	150,000	(50,000)
Proceeds from long-term debts	250,897	-
Repayment of long-term debts	(9,034)	(9,034)
Proceeds from guarantee deposits received	17	-
Refund of guarantee deposits received	-	(769)
Cash dividends	(578,475)	(532,197)
Change in non-controlling interests	29,848	-
Net cash generated from (used in) financing activities	251,240	(255,732)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	225,987	(79,118)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,408,197	255,561
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,576,396	1,320,835
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,984,593	$ 1,576,396

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

(With Deloitte & Touche audit report dated March 26, 2014) (Concluded)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

1. ORGANIZATION AND OPERATIONS

Wah Lee Industrial Corporation (the "Corporation") was incorporated in October 1968, and is mainly engaged in the import/export and agency business of composite materials, engineering plastic, printed circuit board, semiconductor, computer related manufacturing materials and equipment.

The Corporation's shares have been listed and traded on the Taiwan Stock Exchange since July 22, 2002.

The functional currency of the Corporation is New Taiwan dollars and the consolidated financial statements are presented in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 26, 2014.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

The New IFRSs included in the 2013 IFRSs version not yet endorsed by the FSC	Effective Date Announced by IASB (Note 1)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate

(Continued)

	Effective Date Announced by IASB (Note 1)
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013
The New IFRSs not included in the 2013 IFRSs version	
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 "Financial Instruments"	Note 3
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	Note 3
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

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

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

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

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

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

1) IFRS 9 "Financial Instruments"

<u>Recognition and measurement of financial assets</u>

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

<u>Recognition and measurement of financial liabilities</u>

As for financial liabilities, the main changes in the classification and measurement relate to the subsequent measurement of financial liabilities designated as at fair value through profit or loss. The amount of change in the fair value of such financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch in profit or loss, the Group presents all gains or losses on that liability in profit or loss.

2) New and revised standards on consolidation, joint arrangement, and associates and disclosure

a) IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Group considers whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

b) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

c) Revision to IAS 28 “Investments in Associates and Joint Ventures”

Revised IAS 28 requires when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under current IAS 28, when a portion of an investment in associate meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

3) IFRS 13 “Fair Value Measurement”

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

4) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

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

5) Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendments to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

6) New issued IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Group accrues related liability when the transaction or activity that triggers the payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

7) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 “Share-Based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments” were amended in this annual improvement.

The amended IFRS 2 changes the definitions of ‘vesting condition’ and ‘market condition’ and adds definitions for 'performance condition' and 'service condition'. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ‘similar economic characteristics’. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

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

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

8) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property”, were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

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

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

As of the date that the consolidated financial statements were approved and authorized for issue, the Group is continuingly assessing the possible impact that the application of the above New IFRSs will have on the Group’s financial position and operating result, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On May 14, 2009, the FSC announced the "Framework for the Adoption of IFRSs by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRS, IAS, IFRIC and SIC (the "IFRSs") endorsed by the FSC.

The Group's consolidated financial statements for the year ended December 31, 2013 are its first IFRS consolidated financial statements. The date of transitions to IFRSs was January 1, 2012. Refer to Note 34 for the impact of IFRS conversion on the Group's consolidated financial statements.

a. Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed by the FSC.

b. Basis of Preparation

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

The opening consolidated balance sheet as of the date of transition to IFRSs was prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". The applicable IFRSs have been applied retrospectively by the Group except for some aspects where IFRS 1 prohibits retrospective application or grants optional exemptions to this general principle. For the exemptions that the Group elected, refer to Note 33.

The significant accounting policies are set out as below.

c. Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period; and

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

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

d. Basis of Consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if the results in the non-controlling interests will have a deficit balance.

Changes in the Corporation's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

2) The subsidiaries in the consolidated financial statements

The detailed information of the subsidiaries at the end of the reporting period was as follows:

			Percentage of Ownership			
Investor	**Investee**	**Main Businesses**	**December 31, 2013**	**December 31, 2012**	**January 1, 2012**	**Remark**
The Corporation	Wah Lee Holding Ltd.	International investment	100.00	100.00	100.00	Established in BVI
	Raycong Industrial (H.K.) Ltd. (Raycong)	Trading business of engineering plastic, composite materials and equipment	53.69	53.69	53.69	Established in Hong Kong
	Wah Lee Japan Corp. (Wah Lee Japan)	Trading business of glass fiber, electronic equipment optical machinery, etc.	83.33	83.33	83.33	Established in Japan
	Wah Lee Korea Ltd. (Wah Lee Korea)	Trading business of glass fiber, electronic equipment optical machinery, etc.	94.87	94.87	96.10	Established in Korea
	Skypower Ltd. (Skypower)	Trading business of solar energy materials and equipment	70.00	69.77	-	Established in Japan in August 2012
Wah Lee Holding Ltd.	SHC Holding Ltd.	International investment	100.00	100.00	100.00	Established in Mauritius
	Global SYK Holding Ltd.	International investment	100.00	100.00	100.00	Established in Mauritius
	Wah Lee Tech (Singapore) Pte. Ltd. (Wah Lee Tech)	Agency of semiconductor materials and equipment	100.00	100.00	100.00	Established in Singapore

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership December 31, 2013	December 31, 2012	January 1, 2012	Remark
	Wah Lee Machinery Trading Limited	International trading	100.00	100.00	100.00	Established in BVI
	Raycong Industrial (H.K.) Ltd. (Raycong)	Trading business of engineering plastic, composite materials and equipment	46.31	46.31	46.31	Established in Hong Kong
Raycong Industrial (H.K.) Ltd. (Raycong)	Dong Guan Hua Gang International Trading Co., Ltd. (Dong Guan Hua Gang)	Trading business of industrial materials and equipment	100.00	100.00	100.00	Established in Dong Guan
	Shanghai Yikang Chemicals and Industries Co., Ltd. (Shanghai Yikang)	International trading of industrial materials	70.00	70.00	70.00	Established in Shang hai
	Nilee Optronics, Ltd.	Cutting and trading of polyester film	-	-	100.00	Note

(Concluded)

Note: The dissolution and liquidation of Nilee Optronics, Ltd. had been approved in the board of directors' meeting in May 2009 and the liquidation was fully completed in August 2012 (Refer to Note 6).

e. Foreign Currencies

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

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

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries' and associates' operations in other countries or currencies used are different with the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

f. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item. Net realizable value is the estimated selling price of inventories less all expenses necessary to make the sale. Except that Wah Lee Japan, Wah Lee Tech and Wah Lee Korea used the weighted-average cost method, inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

g. Investment in Associates

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

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

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

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

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

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

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

h. Property, Plant, and Equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

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

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

i. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss of goodwill is recognized directly in profit or loss. An impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible Assets

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

Gain or loss from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognized in profit or loss when the asset is derecognized.

k. Impairment of Tangible and Intangible Assets Other than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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

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

l. Financial Instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss held by the Group are financial assets held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset.

ii. Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

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

iii. Loans and receivables

Loans and receivables (including cash and cash equivalent, notes and accounts receivable, other receivables, refundable deposits and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

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

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

For financial assets carried at amortized cost, the amount of the impairment loss recognized is 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.

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

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

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it is becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

Repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the financial liabilities at fair value through profit or loss, all the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss held by the Group were financial liabilities held for trading.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 27.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage exposure to foreign exchange rate and interest rate risks, including cross currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

m. Provisions

The provisions include reserve for sales allowance and other long term employee benefits.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Other long-term employee benefits are accounted for in the same way as the accounting required for post-employment benefits except that all past service cost and actuarial gains and losses are recognized immediately.

n. Revenue Recognition

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

1) Sale of goods

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

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Rendering of services

Commission revenues are recognized when goods are shipped to customers, according to the contracted percentage.

Other service income is recognized when services are provided.

3) Dividend and interest income

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

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

o. Leasing

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

As lessor, the Group recognizes rental income from operating lease on a straight-line basis over the term of the relevant lease.

As lessee, the Group recognizes rental expense for operating lease on a straight-line basis over the lease term.

p. Retirement Benefit Costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

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

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

q. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying value of the accounts receivable and the movements of the allowance for doubtful accounts are disclosed in Note 10.

b. Fair value of financial instruments

As described in Note 27, the Group's management uses its judgment in selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are based on quoted market rates adjusted for specific features of the instruments. The measurement for the fair value of unlisted equity investments includes assumptions not based on observable market price or rates. As of December 31, 2013, December 31, 2012, and January 1, 2012, the carrying amount of these equity instruments was $170,007 thousand, $135,700 thousand, and $195,000 thousand respectively. Note 27 provides detail information about the key assumptions used in the determination of fair value of financial instruments. The Group's management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

c. Useful lives of property, plant and equipment

As described in Note 4. h., the Group reviews the estimated useful lives of property, plant and equipment at each balance sheet date.

d. Recognition and measurement of defined benefit plans

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

6. DISCONTINUED OPERATIONS

To simplify the Group structure, the dissolution and liquidation of Nilee Optronics, Ltd. had been approved in the board of directors meeting in May 2009 and the liquidation was fully completed in August 2012.

The profit and loss and cash flow of discontinued operation were as follows:

	For the Year Ended December 31, 2012
Profit and loss of discontinued operation	
Revenues and gains	$ -
Costs and expenses	-
Net income of discontinued operation	$ -

(Continued)

	For the Year Ended December 31, 2012
Cash flow of discontinued operation	
Net cash flow of operating activities	$ -
Net cash flow of investing activities	-
Net cash flow of financing activities	(4,145)
Effects of exchange rate	(85)
Net decrease in cash flow	$ (4,230)

7. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 2,081	$ 8,144	$ 32,927
Demand deposits	1,170,143	1,159,565	1,054,810
Checking accounts	22,455	12,163	38,156
Cash equivalents			
Time deposits with original maturities less than three months	1,789,914	396,524	194,942
	$ 2,984,593	$ 1,576,396	$ 1,320,835

The ranges of market interest rates of time deposits at each balance sheet date were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Time deposits (%)	0.43-6.9	1.35-3.5	1.1-1.49

Cash equivalents are financial assets (including time deposits) that have a maturity of three months or less from the date of acquisition, readily convertible to a known amount of cash, and subject to an insignificant risk of change in value; these are held for the purpose of meeting short-term cash commitments.

Time deposits with original maturities of more than three months were reclassified as other financial assets (refer to Note 12).

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held for trading			
Derivative financial assets			
Convertible bonds	$ -	$ 93,285	$ 101,405

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Current	$ -	$ -	$ 10,055
Noncurrent	-	93,285	91,350
	$ -	$ 93,285	$ 101,405
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Cross-currency swap contracts	$ -	$ -	$ 249

(Concluded)

The subsidiary company - Raycong entered into cross-currency swap contracts to manage exposures due to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting. The cross-currency swap contracts were consequently classified as financial assets held for trading.

As of December 31, 2012, the cross-currency swap contracts were all settled or closed.

As of January 1, 2012, the outstanding cross-currency swap contracts were as follows:

Notional Amounts (In Thousands)	Maturity Date	Interest Rates Paid (%)	Interest Rates Received (%)
USD150/RMB949	2012.01.20	1.45	2.30
USD150/RMB946	2012.02.10	1.45	2.50
USD150/RMB941	2012.02.21	1.45	2.60
USD150/RMB938	2012.04.11	1.45	2.45
USD150/RMB939	2012.04.13	1.45	2.50
USD150/RMB936	2012.04.20	1.45	2.50
USD130/RMB808	2012.04.27	1.45	2.50

The net gain or loss from financial instruments at fair value through profit or loss was disclosed in Note 22.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic investments			
Quoted shares	$ 274,711	$ 89,368	$ 83,643
Emerging market shares	9,744	233,646	-
Unquoted shares	79,352	62,115	111,155
Mutual funds	108,718	112,323	296,999
	472,525	497,452	491,797

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Foreign investments			
Quoted shares	$ 46,242	$ 44,109	$ 44,372
Unquoted shares	80,911	73,585	83,845
	127,153	117,694	128,217
	$ 599,678	$ 615,146	$ 620,014
Current	$ 354,353	$ 162,914	$ 348,591
Noncurrent	245,325	452,232	271,423
	$ 599,678	$ 615,146	$ 620,014

(Concluded)

10. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable - operating	$ 1,009,772	$ 753,999	$ 616,827
Accounts receivable - unrelated parties			
Accounts receivable	$ 8,442,355	$ 7,789,709	$ 7,180,017
Less: Allowance for doubtful accounts	39,890	49,767	44,809
	8,402,465	7,739,942	7,135,208
Accounts receivable - related parties	60,485	65,878	49,141
	$ 8,462,950	$ 7,805,820	$ 7,184,349

The average credit period of sales of goods was 30-150 days. In determining the recoverability of accounts receivable, the Group considered any change in the credit quality of the accounts receivable since the date credit was initially granted to each balance sheet date. The Group assessed the accounts receivable that were past due and recognized allowance for impairment loss based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The Group periodically reviewed the customers' credit limits. The notes receivable and accounts receivable that were neither past due nor impaired had good credit scores according to internal credit review system.

The concentration of credit risk was limited due to the fact that the customer base was large.

Accounts receivable balances (see below for aged analysis) that were past due at the end of reporting period but not provided with allowance for impairment because there had not been a significant change in credit quality and the amounts were still considered recoverable were $403,215 thousand, $365,986 thousand and $344,686 thousand as of December 31, 2013, December 31, 2012, and January 1, 2012, respectively. The Group did not hold any collateral over these balances and did not have a legal right to offset against any amounts owed by the Group to the counterparty.

Age analysis of receivables that were past due but not impaired was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Less than 90 days	$ 217,704	$ 91,020	$ 107,148
91-150 days	63,813	175,581	143,847
151-180 days	31,177	31,454	46,456
Over 181 days	90,521	67,931	47,235
	$ 403,215	$ 365,986	$ 344,686

Above analysis was based on the invoice date.

Movements of the allowance for impairment loss recognized on accounts receivable were as follows:

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ 49,767	$ 44,809
Add: Impairment loss provision	16,911	28,706
Less: Amount written off during the year as uncollectible	(28,727)	(22,742)
Foreign exchange translation loss (gain)	1,939	(1,006)
Balance, end of year	$ 39,890	$ 49,767

Age of individually impaired accounts receivable was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Less than 90 days	$ 9,885	$ 414	$ 4,682
91-150 days	12,330	6,959	21,413
151-180 days	22,555	9,203	9,043
Over 181 days	84,050	76,424	56,202
	$ 128,820	$ 93,000	$ 91,340

Above analysis was based on the invoice date.

11. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Merchandise	$ 2,883,092	$ 2,510,891	$ 3,133,093
Merchandise in transit	198,220	138,679	95,564
	$ 3,081,312	$ 2,649,570	$ 3,228,657

As of December 31, 2013, December 31, 2012 and January 1, 2012, the allowance for devaluation deducted from the carrying value of inventory was $182,315 thousand, $186,755 thousand and $328,712 thousand, respectively.

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2013 and 2012 was $31,268,906 thousand and $28,667,865 thousand, respectively, which included the following items:

	For the Year Ended December 31	
	2013	2012
Reversal of loss on inventories	$ (7,540)	$ (138,880)
Loss (gain) on physical inventories	267	(3)
Loss on disposal of inventories	31,252	21,717
	$ 23,979	$ (117,166)

12. OTHER FINANCIAL ASSETS - CURRENT

	December 31, 2013	December 31, 2012	January 1, 2012
Time deposits with original maturity more than three months	$ 932,945	$ 1,680,295	$ 791,176
Annual interest rate (%)	1.345-5	2.8-5	3-6.5

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates	December 31, 2013	December 31, 2012	January 1, 2012
Listed companies			
Chang Wah Electromaterials Inc.	$ 1,302,027	$ 1,160,088	$ 839,910
Wah Hong Industrial Corp.	1,222,609	976,398	976,747
Unlisted companies			
Nagase Wahlee Plastics Corp.	669,976	646,623	659,429
Orc Technology Corp.	188,617	178,681	173,646
Shanghai Hua Chang Trading Co., Ltd.	508,560	454,181	438,457
Shanghai Chang Hua Corp.	115,894	95,264	84,213
	$ 4,007,683	$ 3,511,235	$ 3,172,402

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

	December 31, 2013	December 31, 2012	January 1, 2012
Chang Wah Electromaterials Inc.	27.69%	28.04%	30.07%
Wah Hong Industrial Corp.	25.96%	24.44%	24.32%
Nagase Wahlee Plastic Corp.	40.00%	40.00%	40.00%
Orc Technology Corp.	35.00%	35.00%	35.00%
Shanghai Hua Chang Trading Co., Ltd.	30.00%	30.00%	30.00%
Shanghai Chang Hua Corp.	30.63%	30.63%	30.63%

Investments in publicly traded shares that are accounted for using the equity method were priced based on the closing price of those shares at the balance sheet date. The investments were summarized as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Chang Wah Electromaterials Inc.	$ 1,888,866	$ 1,861,863	$ 1,108,711
Wah Hong Industrial Corp.	787,976	895,280	785,428
	$ 2,676,842	$ 2,757,143	$ 1,894,139

Brief descriptions of the movements of long-term investments were as follows:

a. In May 1989, the Corporation invested in Chang Wah Electromaterials Inc., which is engaged in the agency of materials and equipment for IC packaging. In November 2013, Chang Wah Electromaterials Inc. conducted equity offering to raise $350,000 thousand and the Corporation non-prorata subscribed $78,518 thousand of that amount. The Corporation's cumulative investments in Chang Wah Electromaterials Inc. amounted to $471,338 thousand and the percentage of ownership decreased to 27.69% as of December 31, 2013.

b. In June 1990, the Corporation invested in Wah Hong Industrial Corp., which is engaged in the manufacture of LCD, BMC materials and finished goods. In March 2013, Wah Hong Industrial Corp. conducted equity offering to raise $600,000 thousand and the Corporation subscribed $207,633 thousand of that amount. The percentage of ownership increased to 25.96%. The Corporation's cumulative investments in Wah Hong Industrial Corp. amounted to $939,921 thousand as of December 31, 2013.

Financial summary of the Group's associates was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$ 31,330,582	$ 29,351,914	$ 26,273,912
Total liabilities	$ 16,773,067	$ 16,922,080	$ 15,396,003

	For the Year Ended December 31	
	2013	2012
Operating revenue	$ 41,787,556	$ 41,250,697
Net profit	$ 1,050,552	$ 1,465,787
Other comprehensive income	$ 182,871	$ 64,307

14. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2012

Cost	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Office and Miscellaneous Equipment	Leasehold Improvements	Construction in progress	Total
Balance at January 1, 2012	$ 429,363	$ 538,292	$ 682	$ 85,415	$ 367,668	$ 59,013	$ -	$ 1,480,433
Additions	30,612	1,030	1,649	967	7,597	192	33,973	76,020
Disposals	-	-	-	(6,177)	(3,563)	(4,059)	-	(13,799)
Effect of foreign currency exchange differences	-	(7,732)	4	(682)	(1,241)	(482)	-	(10,133)
Balance at December 31, 2012	$ 459,975	$ 531,590	$ 2,335	$ 79,523	$ 370,461	$ 54,664	$ 33,973	$ 1,532,521

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Office and Miscellaneous Equipment	Leasehold Improvements	Construction in progress	Total
Accumulated depreciation								
Balance at January 1, 2012	$ -	$ 129,913	$ 596	$ 63,182	$ 216,997	$ 51,764	$ -	$ 462,452
Disposals	-	-	-	(5,407)	(2,887)	(1,264)	-	(9,558)
Depreciation expense	-	15,929	46	8,108	47,675	2,614	-	74,372
Effect of foreign currency exchange differences	-	(1,557)	(7)	(439)	(1,047)	(294)	-	(3,344)
Balance at December 31, 2012	$ -	$ 144,285	$ 635	$ 65,444	$ 260,738	$ 52,820	$ -	$ 523,922
Carrying amounts at January 1, 2012	$ 429,363	$ 408,379	$ 86	$ 22,233	$ 150,671	$ 7,249	$ -	$ 1,017,981
Carrying amounts at December 31, 2012	$ 459,975	$ 387,305	$ 1,700	$ 14,079	$ 109,723	$ 1,844	$ 33,973	$ 1,008,599

(Concluded)

For the year ended December 31, 2013

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Office and Miscellaneous Equipment	Leasehold Improvements	Construction in progress	Total
Cost								
Balance at January 1, 2013	$ 459,975	$ 531,590	$ 2,335	$ 79,523	$ 370,461	$ 54,664	$ 33,973	$ 1,532,521
Additions	-	62,811	141,726	5,880	29,619	210	189,157	429,403
Disposals	-	-	(290)	(34,563)	(43,217)	(2,581)	-	(80,651)
Effect of foreign currency exchange differences	(4,777)	11,294	(8,429)	707	2,676	41	(14,375)	(12,863)
Balance at December 31, 2013	$ 455,198	$ 605,695	$ 135,342	$ 51,547	$ 359,539	$ 52,334	$ 208,755	$ 1,868,410
Accumulated depreciation								
Balance at January 1, 2013	$ -	$ 144,285	$ 635	$ 65,444	$ 260,738	$ 52,820	$ -	$ 523,922
Disposals	-	-	(290)	(34,327)	(41,953)	(2,581)	-	(79,151)
Depreciation expense	-	19,931	3,816	7,752	41,010	1,156	-	73,665
Effect of foreign currency exchange differences	-	3,409	(136)	397	2,060	36	-	5,766
Balance at December 31, 2013	$ -	$ 167,625	$ 4,025	$ 39,266	$ 261,855	$ 51,431	$ -	$ 524,202
Carrying amounts at December 31, 2013	$ 455,198	$ 438,070	$ 131,317	$ 12,281	$ 97,684	$ 903	$ 208,755	$ 1,344,208

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

Buildings	
Office	20-63 years
Office interior decoration	5-11 years
Machinery and equipment	3-17 years
Transportation equipment	1-9 years
Office and miscellaneous equipment	
Fire extinguishing equipment and safeguard monitoring system	4-6 years
Steel cylinder	5-9 years
Hoist	11-16 years
Others	1-8 years
Leasehold improvements	1-10 years

Refer to Note 29 for the carrying amount of property, plant and equipment that had been pledged by the Group to secure borrowings granted to the Group.

15. SHORT-TERM LOANS

	December 31, 2013	December 31, 2012	January 1, 2012
Secured loans (Note 29)			
Bank loans	$ 175,425	$ 124,889	$ 57,604

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured loans			
Loans for procurement of materials	$ 2,073,310	$ 1,893,344	$ 1,560,234
Line of credit of loans	1,744,097	1,614,138	1,736,087
	3,817,407	3,507,482	3,296,321
	$ 3,992,832	$ 3,632,371	$ 3,353,925
Annual interest rate (%)	0.69-2.25	0.76-2.4	0.87-2.5

(Concluded)

16. SHORT-TERM BILLS PAYABLE - ONLY AS OF DECEMBER 31, 2013 AND JANUARY 1, 2012

Outstanding short-term bills payable were as follows:

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate
December 31, 2013				
China Bills Finance Corporation	$ 100,000	$ -	$ 100,000	0.68
International Bills Finance Corporation	50,000	-	50,000	0.892
	$ 150,000	$ -	$ 150,000	
January 1, 2012				
China Bills Finance Corporation	$ 50,000	$ -	$ 50,000	0.88

The commercial paper payable had not been discounted because the effect was not material.

17. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31, 2013	December 31, 2012	January 1, 2012
Notes payable (including related parties)			
Operating	$ 644,293	$ 522,911	$ 768,198
Non-operating	6,387	5,995	17,310
	$ 650,680	$ 528,906	$ 785,508
Notes payable			
Unrelated parties	$ 418,486	$ 327,099	$ 585,112
Related parties	232,194	201,807	200,396
	$ 650,680	$ 528,906	$ 785,508

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts payable (including related parties)			
Operating	$ 5,044,713	$ 4,401,650	$ 3,548,376
Accounts payable			
Unrelated parties	$ 4,810,764	$ 4,127,371	$ 3,306,595
Related parties	233,949	274,279	241,781
	$ 5,044,713	$ 4,401,650	$ 3,548,376

(Concluded)

The average credit period of purchases of goods was 30-120 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. Therefore, no interest was charged on the accounts payable.

18. LONG-TERM DEBTS

	December 31, 2013	December 31, 2012	January 1, 2012
Syndicated bank loans (led by Hua Nan Bank) (a)	$ 1,440,000	$ 1,440,000	$ 1,440,000
Less: Syndicated loan fee	2,400	3,600	4,800
	1,437,600	1,436,400	1,435,200
Mortgage Loan			
Hua Nan Bank (b)	124,973	134,007	143,041
Hua Nan Bank - Singapore (c)	11,094	-	-
China Trust (d)	239,803	-	-
	375,870	134,007	143,041
Less: Current portion	13,830	9,034	9,034
	362,040	124,973	134,007
	$ 1,799,640	$ 1,561,373	$ 1,569,207

a. The Corporation signed a syndicated loan agreement with seventeen banks led by Hua Nan Bank in January 2011. The main contents of the syndicated loan agreement are as follows:

1) The loan is a 5-year medium-term revolving credit line up to NT$2.4 billion that commences from the initial drawdown date. Beginning on the third year, the maximum credit line will be reduced every six months; each of the first four six-month periods will be reduced by NT$360 million and the fifth six-month period will be reduced by NT$960 million. Under the borrowing limit, the Corporation could use the revolving credit facility and choose borrowing terms of 90 days or 180 days. Each drawdown shall be repaid at the end of each interest period, but shall be available for redrawing on a revolving basis not less than three business days from original loan’s maturity date subject to no occurrence of default. As of December 31, 2013, December 31, 2012 and January 1, 2012, the interest rates were 1.6353%, 1.6237% and 1.5328%, respectively.

2) Pursuant to the loan agreement, the Corporation should maintain certain financial ratios as follows:

- Current ratio should not be less than 100%.

- Debt ratio should not be more than 150%.

- Interest coverage ratio should not be less than 800%.
- Tangible net worth, the balance after deducting intangible assets from stockholders' equity, should not be less than NT$6 billion.

Pursuant to the loan agreement, the Corporation should maintain the aforementioned financial ratios. Such financial ratios should be calculated based on audited annual consolidated financial statements and reviewed semi-annual consolidated financial statements. If the Corporation is not in compliance with the aforementioned financial ratios or other terms of the loan agreement, the syndicated banks have the right to suspend or cancel all or portion of the credit line, declare the entire unpaid principal amount of the advances, all accrued and unpaid interest, fees and all other sums payable to be due immediately, and/or declare the commitment amount to be cancelled and reduced to zero.

The Corporation had met the conditions of the loan agreement based on the audited annual consolidated financial statements as of and for the years ended December 31, 2013 and 2012.

b. Mortgage loan with Hua Nan Bank repayable in 214 monthly installments from December 2009 to October 2027, NT$753 thousand per installment, interest rate at 1.87%, 1.87% and 1.67% as of December 31, 2013, December 31, 2012, and January 1, 2012, respectively.

c. The subsidiary company - Wah Lee Tech signed a mortgage loan agreement with Hua Nan Bank, Singapore Branch in April 2013 for purchase of building. The loan is a long-term credit line up to SGD3,754 thousand and the drawdowns are according to construction progress of the building. The principal will be repaid after the building is completed; the building is pledged to the bank. The interest rate was 1.6% as of December 31, 2013.

d. The subsidiary company - Skypower signed a mortgage loan agreement with China Trust, Tokyo Branch in June 2013 for construction of plant and purchasing of equipment. The loan credit line is up to JPY920,000 thousand and can be drawn before July 2014. After one year from the initial drawdown date, the principal will be repaid in 25 installments. The interest rate was 1.89% as of December 31, 2013.

19. OTHER PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Salaries or bonus	$ 308,866	$ 212,260	$ 226,487
Payable for commission	27,580	32,029	24,044
Payable for interest	6,910	5,869	7,040
Payable for annual leave	21,522	25,259	28,192
Payable for bonus to employees and remuneration to directors and supervisors	191,887	172,195	169,169
Payable for purchasing of equipment	317	250	24,000
Others	133,637	91,262	94,892
	$ 690,719	$ 539,124	$ 573,824

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

Subsidiaries including Raycong, Shanghai Yikang, Dong Guan Hua Gang and Wah Lee Tech are required by local regulations to make contribution for central provident fund and retirement insurance.

b. Defined benefit plan

Part of the employees of the Corporation adopted the defined benefit plan under the Labor Standards Law, in which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts, equal to 8% of total monthly salaries and wages, to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

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

The subsidiary company - Raycong has a pension plan covering eligible employees.

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

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Discount rates (%)	1.75-2.25	1.50	1.75
Expected rates of salary increase (%)	2.00-3.00	2.00	2.00
Expected rate of return on plan assets (%)	1.75	1.75	2.00

Amounts recognized in profit or loss in respect of these defined benefit plans were as follows:

	For the Year Ended December 31	
	2013	**2012**
Current service cost	$ 17,592	$ 12,924
Interest cost	7,454	8,521
Expected return on plan assets	(2,796)	(3,281)
Past service cost	5,237	5,237
Gains arising from curtailment or settlement	(11,071)	-
	$ 16,416	$ 23,401

The Group paid $4,742 thousand for the year ended December 31, 2013 directly from the Corporation's accounts, and recognized the following as pension cost.

	For the Year Ended December 31	
	2013	**2012**
An analysis by function		
Selling and marketing expenses	$ 8,872	$ 11,817
General and administration expenses	12,286	11,584
	$ 21,158	$ 23,401

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012 were gain $9,807 thousand and loss $11,200 thousand, respectively. The cumulative amount of actuarial losses recognized in other comprehensive income as of December 31, 2013 and 2012 was $1,393 thousand and $11,200 thousand, respectively.

The amounts included in the consolidated balance sheets in respect of the Group's obligations to its defined benefit plans were as follows:

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Present value of funded defined benefit obligation	$ 435,936	$ 511,693	$ 495,784
Fair value of plan assets	(106,453)	(161,731)	(160,030)
Deficit	329,483	349,962	335,754
Past service cost not yet recognized	(60,982)	(68,075)	(73,312)
Accrued pension liabilities	$ 268,501	$ 281,887	$ 262,442

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

	For the Year Ended December 31	
	2013	**2012**
Opening defined benefit obligation	$ 511,693	$ 495,784
Current service cost	17,592	12,924
Interest cost	7,454	8,521
Actuarial losses (gains)	(16,283)	10,293
Gains on curtailments	(12,927)	-
Benefits paid	(71,687)	(15,829)
Exchange differences on foreign plans	94	-
Closing defined benefit obligation	$ 435,936	$ 511,693

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

	For the Year Ended December 31	
	2013	**2012**
Opening fair value of plan assets	$ 161,731	$ 160,030
Expected return on plan assets	2,796	3,280
Actuarial gains (losses)	(935)	(1,678)
Contributions from the employer	14,548	15,928
Benefits paid	(71,687)	(15,829)
Closing fair value of plan assets	$ 106,453	$ 161,731

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

	December 31, 2013	December 31, 2012	January 1, 2012
Cash	22.86	24.51	23.87
Equity securities	44.77	37.43	40.75
Fixed-rate yield	18.11	16.28	16.19
Bonds	9.37	10.45	11.45
Short-term bills	4.10	9.88	7.61
Government loans	-	0.66	0.13
Others	0.79	0.79	-
	100.00	100.00	100.00

The Group chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (Refer to Note 33):

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 435,936	$ 511,693	$ 495,784
Fair value of plan assets	$ (106,453)	$ (161,731)	$ (160,030)
Deficit	$ 329,483	$ 349,962	$ 335,754
Experience adjustments on plan liabilities	$ (16,283)	$ 10,293	$ -
Experience adjustments on plan assets	$ (935)	$ (1,678)	$ -

The Group expects to make a contribution of $15,758 thousand and $16,367 thousand to the defined benefit plans during the annual period beginning after 2013 and 2012, respectively.

21. EQUITY

a. Capital Stock

	December 31, 2013	December 31, 2012	January 1, 2012
Number of shares authorized (in thousands)	300,000	300,000	300,000
Shares authorized	$ 3,000,000	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	231,390	231,390	231,390
Shares issued	$ 2,313,901	$ 2,313,901	$ 2,313,901

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

b. Capital Surplus

	December 31, 2013	December 31, 2012	January 1, 2012
Recognized from issuance of common shares	$ 1,160,519	$ 1,160,519	$ 1,160,519
Recognized from share of changes in capital surplus of associates	87,169	74,070	38,453
Recognized from donations	11,867	11,867	11,867
	$ 1,259,555	$ 1,246,456	$ 1,210,839

Under the Company Law, capital surplus from premium on issued stock may be used to offset a deficit, and it may also be transferred to capital or distributed in cash once a year and up to a certain limit if the Corporation has no deficit. Capital surplus from assets received as donation may only be used to offset a deficit and capital surplus from long-term investment may not be used for any purpose.

c. Retained Earnings and Dividend Policy

The Corporation's Articles of Incorporation provide that the annual net income, after offset of any deficit, shall be appropriated as follows:

1) 10% as legal reserve, until its balance equals to the Corporation's paid-in capital.

2) The remainder will be appropriated by resolution of the Corporation's stockholders in their meeting with not more than 3% as bonus to directors and supervisors, and not less than 1% as bonus to employees.

The Corporation shall undertake aggressive business plan to keep the Corporation operating as a going concern and in stable prosperity in view of the economic environment and the trend of industry growth. Dividend policy is mainly based on a residual dividend concept, i.e. the Corporation shall measure its annual cash requirement in accordance with its capital budget and regular operational cash requirement to determine the amounts of dividends in cash and/or in stock, but cash dividend shall not be less than 50% of the total amount of dividends.

For the years ended December 31, 2013 and 2012, the bonus to employees was $173,907 thousand and $152,990 thousand, representing 15% and 16%, respectively, of net income (net of the bonus and remuneration); the remuneration to directors and supervisors was $17,980 thousand and $15,205 thousand, respectively, and both representing 1.55% of net income. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the fair value of the shares. The fair value of the shares refer to the closing price (after considering the effect of cash and share dividends) of the shares on the day immediately preceding the shareholders' meeting.

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

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

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

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

The appropriations of earnings for 2012 and 2011 had been approved in the stockholders' meetings on June 3, 2013 and June 5, 2012, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the year ended December 31		**For the year ended December 31**	
	2012	**2011**	**2012**	**2011**
Legal reserve	$ 98,113	$ 95,223		
Cash dividends to stockholders	578,475	532,197	$ 2.5	$ 2.3
	$ 676,588	$ 627,420		

The bonus to employees (distributed in cash) and the remuneration to directors and supervisors for 2012 and 2011 which were also approved in the aforementioned shareholders' meetings were as follows:

	For the Year Ended December 31	
	2012	**2011**
Bonus to employees	$ 156,990	$ 152,356
Remuneration to directors and supervisors	15,205	14,756

The approved amounts of the bonus to employees and the remuneration to directors and supervisors were the same with the accrual amounts recognized in the financial statements for the years ended December 31, 2012 and 2011.

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

Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards.

The appropriations of earnings for 2013 had been proposed by the Corporation's board of directors on March 26, 2014. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 115,946	
Cash dividends	694,170	$ 3
	$ 810,116	

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2013 are subject to the resolution in the shareholders' meeting to be held on June 17, 2014.

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

d. Special Reserves Appropriated Following First-time Adoption of IFRSs

The Corporation's special reserves appropriated following first-time adoption of Taiwan-IFRSs were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Special reserve	$ 72,302	$ 72,302	$ 72,302

The Corporation is required to appropriate to special reserve the amounts of unrealized revaluation increment and cumulative translation differences transferred to retained earnings, provided the total amount does not exceed the amount of retained earnings that resulted from all Taiwan-IFRSs conversion adjustments. The amounts of the unrealized revaluation increment and cumulative translation differences transferred to retained earnings were $13,649 thousand and $189,980 thousand, respectively. But the increase in retained earnings that resulted from all Taiwan-IFRSs adjustments was only $72,302 thousand; therefore, the Corporation appropriated to the special reserve only the amount of $72,302 thousand, the increase in retained earnings that resulted from all adjustments on transition to Taiwan-IFRSs.

e. Other Equity Items

1) Foreign currency translation reserve

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ (144,271)	$ -
Exchange differences on translation of foreign operations	178,795	(118,527)
Share of exchange difference of associates accounted for using the equity method	86,312	(46,480)
Income tax relating to gains on translation of net assets of foreign operations	(37,684)	20,736
Balance, end of year	$ 83,152	$ (144,271)

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

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ 318,547	$ 23,581
Unrealized gain arising on revaluation of available-for-sale financial assets	38,936	254,586
Cumulative gain on sale of available-for-sale financial assets reclassified to profit or loss	(74,509)	(4,201)
Cumulative impairment loss of available-for-sale financial assets reclassified to profit or loss	-	(16,000)
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of associates accounted for using the equity method	(23,015)	60,581
Balance, end of year	$ 259,959	$ 318,547

f. Non-Controlling Interests

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ 574,821	$ 500,163
Attributable to non-controlling interests		
Share of profit for the period	79,565	59,036
Additional non-controlling interests arising on capital increase by cash of subsidiaries	29,848	-
Exchange difference arising on translation of foreign entities	25,532	15,622
Balance, end of year	$ 709,766	$ 574,821

22. NET PROFIT FROM CONTINUING OPERATIONS

The details of net profit from continuing operations were as follows:

a. Other income

	For the Year Ended December 31	
	2013	2012
Rental income	$ 6,673	$ 6,402
Interest income	89,232	65,542
Dividends	12,410	12,181
Subsidies	18,213	-
Others	69,901	71,579
	$ 196,429	$ 155,704

b. Other gains and losses

	For the Year Ended December 31	
	2013	2012
Gain (loss) on disposal of property, plant and equipment	$ 1,049	$ (1,500)
Gain on sale of available-for-sale financial assets	74,509	4,201
Net foreign exchange gain (loss)	137,130	20,316
Gain (loss) on financial assets designated as at FVTPL	(3,285)	2,182
Gain on financial liabilities designated as at FVTPL	-	939
Impairment loss on financial assets	-	(26,027)
Other losses	(10,018)	(12,371)
	$ 199,385	$ (12,260)

c. Financial costs

	For the Year Ended December 31	
	2013	2012
Interest on bank loans	$ 78,696	$ 78,185
Syndicated loan fee amortization	1,200	1,200
Others	669	136
	$ 80,565	$ 79,521

d. Depreciation and amortization (recognized in operating expenses)

	For the Year Ended December 31	
	2013	2012
Property, plant and equipment	$ 73,665	$ 74,372
Intangible assets	11,392	11,049
	$ 85,057	$ 85,421
An analysis of depreciation by function		
Operating costs	$ 372	$ -
Operating expenses	73,293	74,372
	$ 73,665	$ 74,372
An analysis of amortization by function		
Operating expenses	$ 11,392	$ 11,049

e. Employee benefits expense (recognized in operating expenses)

	For the Year Ended December 31	
	2013	2012
Short-term employee benefits	$ 1,046,862	$ 1,079,506
Post-employment benefits (Note 20)		
Defined contribution plans	35,125	39,527

(Continued)

	For the Year Ended December 31	
	2013	2012
Defined benefit plans	$ 21,158	$ 23,401
	56,283	62,928
	$ 1,103,145	$ 1,142,434

(Concluded)

23. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2013	2012
Current tax		
In respect of the current year	$ 262,354	$ 180,051
Additional 10% income tax on unappropriated earnings	30,454	32,481
In respect of prior periods	20,092	907
Others	6,233	3,061
	319,133	216,500
Deferred tax		
In respect of the current year	80,643	59,927
Income tax expense recognized in profit or loss	$ 399,776	$ 276,427

The reconciliation of accounting profit and current income tax expenses was as follows:

	For the Year Ended December 31	
	2013	2012
Profit before income tax	$ 1,638,799	$ 1,323,235
Income tax expense at the statutory rate of the Group	$ 362,651	$ 275,301
Tax effect of adjusting items		
Nondeductible expenses	13,031	1,951
Tax-exempt income	(17,836)	(3,579)
Deferred tax on undistributed earnings from associates	(89,974)	(89,076)
Deferred tax on undistributed earnings from subsidiaries	82,290	60,663
Realized bad debt loss	-	(6,355)
Others	(7,165)	1,073
Additional income tax on unappropriated earnings	30,454	32,481
Current adjustments for prior years' tax	20,092	907
Others	6,233	3,061
Income tax expense recognized in profit or loss	$ 399,776	$ 276,427

The Corporation applied the statutory income tax rate at 17%. The overseas subsidiaries followed the local regulatory income tax rate as follows:

	For the Year Ended December 31	
	2013	2012
Raycong	16.5%	16.5%
Shanghai Yikang	25%	25%
Dong Guan Hua Gang	25%	25%
Wah Lee Japan	40%	40.87%
Wah Lee Tech	17%	17%
Skypower	20%	NA

b. Income tax gain (expense) recognized in other comprehensive income

	For the Year Ended December 31	
	2013	2012
Deferred tax		
Actuarial gains and losses on defined benefit plan	$ (2,609)	$ 2,035
Translation of foreign operations	(37,684)	20,736
	$ (40,293)	$ 22,771

c. Current tax assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Current tax assets			
Tax refund receivable	$ 1,382	$ -	$ -
Current tax liabilities			
Income tax payable	$ 170,787	$ 79,477	$ 130,032

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2013

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Provision for loss on Inventories	$ 31,796	$ (473)	$ -	$ 557	$ 31,880
Unpaid bonuses	16,814	17,809	-	-	34,623
Unrealized management and consulting expenses	18,567	(5,121)	-	1,107	14,553
Intercompany unrealized gains	5,846	823	-	-	6,669
Provision	5,544	1,152	-	-	6,696
Defined benefit obligation	46,729	264	(2,609)	15	44,399
Payable for annual leave	4,347	-	-	25	4,372
Doubtful debts	10,419	(2,706)	-	513	8,226
Others	4,599	(3,934)	-	126	791
	$ 144,661	$ 7,814	$ (2,609)	$ 2,343	$ 152,209

(Continued)

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Foreign income accounted for using equity method	$ 444,309	$ 86,063	$ -	$ 1,131	$ 531,503
Exchange difference on foreign operations	12,944	-	37,684	-	50,628
Provision for land value increment	8,894	-	-	-	8,894
Others	889	2,394	-	48	3,331
	$ 467,036	$ 88,457	$ 37,684	$ 1,179	$ 594,356

(Concluded)

For the year ended December 31, 2012

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Provision for loss on Inventories	$ 52,038	$ (19,825)	$ -	$ (417)	$ 31,796
Unpaid bonuses	22,604	(5,790)	-	-	16,814
Unrealized management and consulting expenses	-	18,441	-	126	18,567
Intercompany unrealized gains	7,398	(1,552)	-	-	5,846
Provision	3,853	1,691	-	-	5,544
Defined benefit obligation	42,179	2,515	2,035	-	46,729
Payable for annual leave	4,812	(459)	-	(6)	4,347
Doubtful debts	9,203	1,439	-	(223)	10,419
Others	2,640	1,952	-	7	4,599
	$ 144,727	$ (1,588)	$ 2,035	$ (513)	$ 144,661
Deferred Tax Liabilities					
Temporary differences					
Foreign income accounted for using equity method	$ 380,749	$ 64,044	-	$ (484)	$ 444,309
Exchange difference on foreign operations	33,680	-	(20,736)	-	12,944
Provision for land value increment	8,894	-	-	-	8,894
Unrealized exchange gains	5,569	(5,569)	-	-	-
Others	1,054	(136)	-	(29)	889
	$ 429,946	$ 58,339	$ (20,736)	$ (513)	$ 467,036

e. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets.

	December 31, 2013	December 31, 2012	January 1, 2012
Deductible temporary differences			
Impairment of foreign investments	$ 173,668	$ 173,668	$ 167,668

f. Integrated income tax

As of December 31, 2013, December 31, 2012 and January 1, 2012, all of the unappropriated earnings were generated after January 1, 1998.

	December 31, 2013	December 31, 2012	January 1, 2012
Imputation credit account	$ 534,051	$ 562,953	$ 507,763

The creditable ratio for distribution of earnings of 2013 and 2012 was 17.82% (expected ratio) and 19.71%, respectively.

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

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

g. Income tax assessments

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

24. EARNINGS PER SHARE (EPS)

Earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net profit for the year attributable to the Corporation's shareholders

	For the Year Ended December 31	
	2013	2012
Basic EPS		
Net profit for the year attributable to common shareholders	$ 1,159,458	$ 987,772

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2013	2012
Weighted average number of ordinary shares outstanding used in computation of basic earnings per share	231,390	231,390
Effect of dilutive potential ordinary shares		
Bonus shares issued to employees	5,432	6,047
Weighted average number of ordinary shares outstanding in computation of diluted earnings per share	236,822	237,437

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

25. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of warehouses with lease terms of up to 10 years. The Corporation does not have a bargain purchase option to acquire the leased warehouses at the expiry of the lease periods.

As of December 31, 2013, December 31, 2012 and January 1, 2012, refundable deposits paid under operating leases were all $3,500 thousand.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than 1 year	$ 15,860	$ 15,860	$ 15,860
Later than 1 year and not later than 5 years	2,643	18,504	34,364
	$ 18,503	$ 34,364	$ 50,224

The lease payments recognized as expenses were as follows:

	For the Year Ended December 31	
	2013	2012
Minimum lease payment	$ 15,105	$ 15,105

26. CAPITAL MANAGEMENT

The Group manages its capital to ensure entities in the Group will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings minus cash and cash equivalents) and equity (comprising issued capital, reserves, retained earnings and other equity).

The key management personnel of the Group review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risk associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

The Group is not subject to any externally imposed capital requirements.

27. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

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

The management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as the approximate amounts of their fair values.

2) Fair value measurements recognized in the consolidated balance sheets

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

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

December 31, 2013

	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets				
Securities listed in the ROC	$ 274,711	$ -	$ -	$ 274,711
Unlisted securities	-	-	170,007	170,007
Mutual funds	108,718	-	-	108,718
Securities listed in other countries	46,242	-	-	46,242
	$ 429,671	$ -	$ 170,007	$ 599,678

December 31, 2012

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Convertible bonds	$ 93,285	$ -	$ -	$ 93,285
Available-for-sale financial assets				
Securities listed in the ROC	$ 89,368	$ -	$ -	$ 89,368
Unlisted securities	233,646	-	135,700	369,346
Mutual funds	112,323	-	-	112,323
Securities listed in other countries	44,109	-	-	44,109
	$ 479,446	$ -	$ 135,700	$ 615,146

January 1, 2012

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Convertible bonds	$ 101,405	$ -	$ -	$ 101,405
Available-for-sale financial assets				
Securities listed in the ROC	$ 83,643	$ -	$ -	$ 83,643
Unlisted securities	-	-	195,000	195,000
Mutual funds	296,999	-	-	296,999
Securities listed in other countries	44,372	-	-	44,372
	$ 425,014	$ -	$ 195,000	$ 620,014
Financial Liabilities at FVTPL				
Non-derivative financial liabilities held for trading	$ -	$ 249	$ -	$ 249

There were no transfers between Level 2 and Level 3 for the years ended December 31, 2013 and 2012.

3) Reconciliation of Level 3 fair value measurements of financial assets

	For the Year Ended December 31	
	2013	2012
Available-for-sale financial assets		
Unlisted securities		
Balance, beginning of year	$ 135,700	$ 195,000
Valuation loss recognized in profit or loss	-	(26,027)
Valuation gain recognized in other comprehensive income	32,089	3,620
Purchases	2,218	-
Transfers out of Level 3	-	(36,893)
Balance, end of year	$ 170,007	$ 135,700

The investee - Onano Industrial Corp. was listed in November 2012; thus, transfers out of Level 3 to Level 1.

All gains and losses included in other comprehensive income relate to unlisted shares held at each balance sheet date and were reported as changes in unrealized gain or loss on available-for-sale financial assets (refer to Note 21).

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

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

a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;

b) The fair values of derivative instruments were calculated using quoted prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives.

Quoted shares

Financial assets in this category included listed shares, convertible bonds and emerging market shares with active market, etc.

Derivatives

Cross-currency swap contracts were measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Unlisted shares

The consolidated financial statements included holdings in unlisted shares which were measured at fair value. Fair value was determined by reference to observable market prices or book values.

b. Categories of financial instruments

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets			
At FVTPL			
Held for trading	$ -	$ 93,285	$ 101,405
Loans and receivables (i)	13,517,828	11,946,527	10,123,777
Available-for-sale financial assets	599,678	615,146	620,014
Financial liabilities			
At FVTPL			
Held for trading	-	-	249
At amortized cost (ii)	12,343,115	10,673,142	9,891,327

i. The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, other financial assets, notes and accounts receivable (including related parties), other receivables (including related parties) and refundable deposits .

ii. The balances included financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, notes and accounts payable (including related parties), other payables, long-term loans (including current portion) and deposits received .

c. Financial risk management objectives and policies

The Group’s major financial instruments included equity investment, notes and accounts receivable, notes and accounts payable, bank loans etc. The Group’s Corporate Treasury function provides services to the business units and monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of reporting period are set out in Note 31.

<u>Sensitivity analysis</u>

The Group was mainly exposed to the USD and RMB.

The following table details the Group's sensitivity to a 1% increase and decrease in NTD (the functional currency) against the relevant foreign currencies. A change of 1% is the sensitivity range used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included external deposits and loans, receivables and payables. A positive number below indicates an increase in pre-tax profit assuming NTD strengthened by 1% against the relevant currency. For a 1% weakening of NTD against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative (positive).

	USD Impact		**RMB Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2013	**2012**	**2013**	**2012**
Profit or loss	$ 2,609	$ 8,471	$ (9,084)	$ (6,783)

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

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

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Cash flow interest rate risk			
Financial assets	$ 2,799,943	$ 2,719,640	$ 2,041,248
Financial liabilities	4,069,343	3,318,399	3,290,474

The Group's fair value interest rate risk with respect to fixed rate time deposits and short-term loans were not significant.

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the year ended December 31, 2013 and 2012. A change of 1% increase or decrease was used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2013 and 2012 would have been lower/higher by $12,694 thousand and $5,988 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities and mutual funds. The Group manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk was mainly concentrated on technology-related listed stocks in Taiwan.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, the other comprehensive income for the year ended December 31, 2013 would have been higher/lower by $5,997 thousand as a result of changes in fair value of available-for-sale investments.

If equity prices had been 1% higher/lower, pre-tax profit for the year ended December 31, 2012 would have been higher/lower by $933 thousand as a result of changes in fair value of held-for-trading investments, and other comprehensive income for the year ended December 31, 2012 would have been higher/lower by $6,151 thousand as a result of changes in fair value of available-for-sale investments.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and enforcement of financial guarantees provided by the Group could comprise the following:

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The amount of contingent liabilities in relation to financial guarantees issued by the Group.

The Group adopted a policy of only dealing with creditworthy counterparties and uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and credit exposure is controlled by setting credit limits of counterparties annually.

3) Liquidity risk

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

As of December 31, 2013, December 31, 2012 and January 1, 2012, the Group had available unutilized overdraft and bank loan facilities of $3,067,557 thousand, $4,293,370 thousand and $4,675,972 thousand, respectively.

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

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

To the extent that interest flows are at floating rate, the undiscounted amount was estimated by the interest rate at the end of the reporting period.

December 31, 2013

Non-derivative financial liabilities	**Less than 3 Months**	**3-12 Months**	**1-3 Years**	**3+ Years**	**Total**
Non-interest bearing	$ 4,937,676	$ 1,443,784	$ 4,652	$ -	$ 6,386,112
Variable interest rate liabilities	1,760,752	556,355	1,720,400	107,723	4,145,230
Fixed interest rate liabilities	1,585,479	152,937	-	-	1,738,416
Financial guarantee contracts	821,390	-	-	-	821,390
	$ 9,105,297	$ 2,153,076	$ 1,725,052	$ 107,723	$ 13,091,148

December 31, 2012

Non-derivative financial liabilities	**Less than 3 Months**	**3-12 Months**	**1-3 Years**	**3+ Years**	**Total**
Non-interest bearing	$ 4,488,121	$ 969,555	$ 12,004	$ -	$ 5,469,680
Variable interest rate liabilities	420,848	1,504,802	1,528,436	130,561	3,584,647
Fixed interest rate liabilities	1,513,725	211,611	-	-	1,725,336
Financial guarantee contracts	612,379	-	-	-	612,379
	$ 7,035,073	$ 2,685,968	$ 1,540,440	$ 130,561	$ 11,392,042

January 1, 2012

Non-derivative financial liabilities	Less than 3 Months	3-12 Months	1-3 Years	3+ Years	Total
Non-interest bearing	$ 3,973,582	$ 923,187	$ 10,939	$ -	$ 4,907,708
Variable interest rate liabilities	454,371	1,438,757	1,545,201	140,787	3,579,116
Fixed interest rate liabilities	1,198,573	269,738	-	-	1,468,311
Financial guarantee contracts	-	579,058	-	-	579,058
	$ 5,626,526	$ 3,210,740	$ 1,556,140	$ 140,787	$ 10,534,193

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

The amounts included above for variable interest rate non-derivative financial liabilities are subject to change if variable interest rates differ from those estimates of interest rates at the end of the reporting period.

28. RELATED PARTY TRANSACTIONS

Balances and transactions between and among the entities in the Group had been eliminated on consolidation and not disclosed in this note. Details of the transactions between and among the Group and other related parties are disclosed below:

a. Trading transactions

1) Sales of goods

	For the Year Ended December 31	
Related parties types	2013	2012
Associates and their subsidiaries	$ 190,030	$ 173,234
Other related parties	31,196	36,691
	$ 221,226	$ 209,925

The other related parties above included the chairman's relatives and the companies that have the Corporation as institutional director.

The selling prices and collection terms of sales to related parties were similar to third parties.

2) Purchase of goods

	For the Year Ended December 31	
	2013	2012
Related parties types		
Associates and their subsidiaries	$ 419,117	$ 526,047
Other related parties	1,068,393	912,185
	$ 1,487,510	$ 1,438,232

The prices of purchases from related parties were made under arm's length terms and did not have similar transactions in the market for comparison; payment terms were similar to third parties.

3) Commission income and expenses

	Commission Income	Commission Expenses
For the year ended December 31, 2013		
Associates	$ 9,953	$ -
Other related parties	-	2,434
	$ 9,953	$ 2,434
For the year ended December 31, 2012		
Associates	$ 1,200	$ -
Other related parties	-	2,174
	$ 1,200	$ 2,174

4) Receivables from related parties

	December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable			
Associates and their subsidiaries	$ 1,069	$ 87	$ 164
Accounts receivable - related parties			
Associates and their subsidiaries	$ 56,765	$ 56,369	$ 37,708
Other related parties	3,720	9,509	11,433
	$ 60,485	$ 65,878	$ 49,141
Other receivables - related parties			
Associates and their subsidiaries	$ 2,940	$ 3,405	$ 5,084
Other related parties	9	10	-
	$ 2,949	$ 3,415	$ 5,084

The outstanding trade receivables from related parties are unsecured.

5) Payables to related parties

	December 31, 2013	December 31, 2012	January 1, 2012
Notes payable - related parties			
Associates and their subsidiaries	$ 765	$ 284	$ 589
Other related parties	231,429	201,523	199,807
	$ 232,194	$ 201,807	$ 200,396
Accounts payable - related parties			
Associates and their subsidiaries	$ 101,318	$ 149,358	$ 138,571
Other related parties	132,631	124,921	103,210
	$ 233,949	$ 274,279	$ 241,781

The outstanding payables to related parties are unsecured and will be settled in cash.

b. Management consulting service incomes

The management services agreements, industry consulting and SAP-use contracts were signed by the Corporation and related parties, and the contracts will expire on various dates with December 31, 2015 as the latest. According to the agreements and contracts, the Corporation will provide certain management services to related parties. Consulting and service fee earned for the years ended December 31, 2013 and 2012 recognized as nonoperating income was as follows:

	For the Year Ended December 31	
	2013	2012
Associates and their subsidiaries	$ 12,181	$ 3,846

c. Rental Income

The Corporation rented parts of buildings and computer software to related parties. The leases on the buildings will expire on various dates with March 31, 2015 as the latest, and the lease on computer software will expire in December 2014. The rental income for the years ended December 31, 2013 and 2012 was as follows:

	For the Year Ended December 31	
Related Parties Types	2013	2012
Associates	$ 4,194	$ 4,296
Other related parties	24	24
	$ 4,218	$ 4,320

d. Endorsements and guarantees and related fee income

1) Endorsements and guarantees

Related Parties Types	December 31, 2013	December 31, 2012	January 1, 2012
Associates and their subsidiaries	$ 1,087,710	$ 1,138,880	$ 942,475
Other related parties	25,194	19,380	9,690
	$ 1,112,904	$ 1,158,260	$ 952,165

2) Fee income from endorsements and guarantees

	For the Year Ended December 31	
Related Parties Types	2013	2012
Associates	$ 692	$ 471
Other related parties	22	19
	$ 714	$ 490

e. Compensation of key management personnel

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

	For the Year Ended December 31	
	2013	2012
Short-term employee benefits	$ 90,909	$ 84,671
Post-employment benefits	2,664	4,722
Other long-term employee benefits	322	296
	$ 93,895	$ 89,689

The remuneration of directors, supervisors and other key management was determined by the remuneration committee having regard to the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL

The Group provided the following assets as collaterals for part of short-term loans and long-term loans, commitments to vendors, and guarantee for payment of tariffs on imported merchandise.

	December 31, 2013	December 31, 2012	January 1, 2012
Other financial assets (classified as other noncurrent assets)			
Pledge deposits	$ 320	$ 320	$ 320
Property, plant and equipment			
Freehold land	274,672	248,837	248,837
Buildings	218,270	221,063	232,006
	$ 493,262	$ 470,220	$ 481,163

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group at each balance sheet date were as follows:

a. The Group had unused letters of credit for purchase of merchandise as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
USD	$ 13,562	$ 6,996	$ 13,532
JPY	13,860	16,740	-
NTD	67,559	56,852	88,651

b. Unrecognized commitments were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Acquisition of property, plant and equipment	$ 377,790	$ 288,182	$ -

As of December 31, 2013, the contracts related to purchase of lands and buildings are as follows:

On September 28, 2012, the subsidiary-Wah Lee Tech entered a contract with third parties for purchase of property located in Singapore for operation purpose. The total amount of the contract is NT$110,638 thousand (SGD4,692 thousand). As of December 31, 2013, the amount paid to the third parties was NT$49,657 thousand (SGD1,943 thousand) and was recognized as prepayment for equipment. The future payments will be made according to the construction progress and the completion date is estimated as June 30, 2019.

On January 25, 2013, the subsidiary-Dong Guan Hua Gang entered a contract with third parties for purchase of property located in Chongqing City, China for operation purpose. The total amount of the contract is NT$71,159 thousand (RMB14,449 thousand). As of December 31, 2013, the amount paid to the third parties was NT$71,159 thousand (RMB14,449 thousand) and was recognized as prepayment for equipment. The future payments will be made according to the construction progress and the completion date is estimated as August 30, 2014.

c. The Corporation offered financial guarantees for related parties as stated in Note 28.

31. EXCHANGE RATE INFORMATION OF FOREIGN CURRENCY FINANCIAL ASSETS AND LIABILITIES

The Group's significant financial assets and financial liabilities denominated in foreign currencies were as follows (in thousands of foreign currency, except exchange rate):

	Foreign Currencies	Exchange Rate		Carrying Amount
December 31, 2013				
Monetary financial assets				
USD	$ 149,540	29.805	(USD:NTD)	$ 4,457,030
USD	32,412	7.8	(USD:HKD)	252,816
USD	18,591	6.052	(USD:RMB)	112,515
RMB	160,388	4.9248	(RMB:NTD)	789,881
RMB	97,985	1.2815	(RMB:HKD)	125,557
JPY	991,865	0.2839	(JPY:NTD)	381,658
JPY	163,742	0.0738	(JPY:HKD)	12,084
JPY	96,626	0.0577	(JPY:RMB)	5,575
HKD	190	0.7862	(HKD:RMB)	150
Monetary financial liabilities				
USD	142,718	29.805	(USD:NTD)	4,253,712
USD	29,539	7.8	(USD:HKD)	230,403
USD	76,808	6.052	(USD:RMB)	599,102
RMB	5,522	1.2815	(RMB:HKD)	7,075
JPY	1,286,014	0.2839	(JPY:NTD)	365,100
JPY	67,756	0.0738	(JPY:HKD)	5,500
JPY	40,559	0.0577	(JPY:RMB)	2,340
HKD	133	0.7862	(HKD:RMB)	104
December 31, 2012				
Monetary financial assets				
USD	155,291	29.04	(USD:NTD)	4,509,664
USD	28,002	7.75	(USD:HKD)	813,164
USD	12,625	6.2251	(USD:RMB)	366,618
RMB	95,697	4.665	(RMB:NTD)	446,426
RMB	61,497	1.245	(RMB:HKD)	286,883
JPY	1,148,739	0.3364	(JPY:NTD)	386,436
JPY	41,909	0.0898	(JPY:HKD)	14,098
JPY	66,671	0.0721	(JPY:RMB)	22,428
HKD	63	0.803	(HKD:RMB)	237
Monetary financial liabilities				
USD	140,277	29.04	(USD:NTD)	4,073,647
USD	20,113	7.75	(USD:HKD)	584,080
USD	64,699	6.2251	(USD:RMB)	1,878,867
RMB	11,796	1.245	(RMB:HKD)	55,031
JPY	1,244,242	0.3364	(JPY:NTD)	418,563
JPY	31,859	0.0898	(JPY:HKD)	10,717
JPY	22,262	0.0721	(JPY:RMB)	7,489
HKD	690	3.747	(HKD:NTD)	2,587
HKD	1,183	0.803	(HKD:RMB)	4,434

(Continued)

	Foreign Currencies	Exchange Rate		Carrying Amount
January 1, 2012				
Monetary financial assets				
USD	$ 109,384	30.275	(USD:NTD)	$ 3,311,587
USD	26,850	7.769	(USD:HKD)	812,871
USD	13,048	6.3007	(USD:RMB)	395,037
RMB	38,321	4.805	(RMB:NTD)	184,132
RMB	304	1.233	(RMB:HKD)	1,462
JPY	378,409	0.3906	(JPY:NTD)	147,807
JPY	46,579	0.1002	(JPY:HKD)	18,194
JPY	3,826	0.0813	(JPY:RMB)	1,494
HKD	63	0.811	(HKD:RMB)	246
Monetary financial liabilities				
USD	95,176	30.275	(USD:NTD)	2,881,468
USD	20,382	7.769	(USD:HKD)	617,059
USD	63,764	6.3007	(USD:RMB)	1,930,443
RMB	1,425	1.233	(RMB:HKD)	6,849
JPY	620,398	0.3906	(JPY:NTD)	242,328
JPY	25,162	0.1002	(JPY:HKD)	9,828
JPY	96,266	0.0813	(JPY:RMB)	37,601
HKD	10	0.811	(HKD:RMB)	41

(Concluded)

32. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance is distinguished by operating area and categories of merchandise and service. The Group’s reportable segments were as follows:

- Wah Lee Industrial Corporation (“Wah Lee”) is mainly engaged in the import/export and agency business of composite materials, engineering plastic, printed circuit board, semiconductor, and computer related manufacturing materials and equipment.

- Raycong Industrial (H.K.) Ltd. and its subsidiary Dong Guan Hua Gang International Trading Co., Ltd. (“Raycong”) are mainly engaged in the trade of engineering plastic, composite materials and equipment.

- Shanghai Yikang Chemicals and Industrials Co., Ltd. (“Shanghai Yikang”) is mainly engaged in trade of manufacturing materials and import/export business.

- Others – Other subsidiaries which were below the quantitative threshold were not listed as reportable segments. Please refer to Note 4 for details.

<u>Segment revenues and results</u>

a. The following was an analysis of the Group’s revenue and results from operations by reportable segment:

	Wah Lee	Raycong	Shanghai Yikang	Others	Adjustment and Eliminated	Total
For the Year ended December 31, 2013						
Revenues from external customers	$ 21,897,473	$ 6,019,301	$ 5,564,784	$ 916,840	$ -	$ 34,398,398
Inter-segment revenues	3,065,358	56,198	82,483	89	(3,204,128)	-
Segment revenues	$ 24,962,831	$ 6,075,499	$ 5,647,267	$ 916,929	$ (3,204,128)	$ 34,398,398
Segment operating income	$ 464,562	$ 273,410	$ 268,754	$ 12,062	$ -	$ 1,018,788
Other income	66,332	33,497	93,043	3,557	-	196,429
Other gains and losses	151,541	31,518	15,990	336	-	199,385
Financial costs	(48,589)	(16,004)	(13,612)	(2,360)	-	(80,565)
Profit before income tax	633,846	322,421	364,175	13,595	-	1,334,037
Income tax expense	(226,387)	(60,419)	(109,084)	(3,886)	-	(399,776)
Net profit after tax	$ 407,459	$ 262,002	$ 255,091	$ 9,709	$ -	934,261
Share of profit or loss of associates						304,762
Consolidated net profit						$ 1,239,023
Identifiable assets	$ 10,547,898	$ 3,795,229	$ 4,377,781	$ 1,093,638	$ (726,858)	$ 19,087,688
Goodwill						31,654
Investment accounted for using equity method						4,007,683
Total assets						$ 23,127,025
Total liabilities	$ 9,117,394	$ 2,127,040	$ 2,309,444	$ 608,911	$ (691,492)	$ 13,471,297
For the year ended December 31, 2012						
Revenues from external customers	$ 20,201,511	$ 5,172,371	$ 5,366,801	$ 804,591	$ -	$ 31,545,274
Inter-segment revenues	2,926,070	38,423	92,142	5,633	(3,062,268)	-
Segment revenues	$ 23,127,581	$ 5,210,794	$ 5,458,943	$ 810,224	$ (3,062,268)	$ 31,545,274
Segment operating income	$ 400,475	$ 221,462	$ 208,913	$ 12,761	$ -	$ 843,611
Other income	52,167	19,151	82,770	1,616	-	155,704
Other gains and losses	(10,388)	4,283	8,500	(14,655)	-	(12,260)
Financial costs	(45,859)	(13,407)	(19,107)	(1,148)	-	(79,521)
Profit before income tax	396,395	231,489	281,076	(1,426)	-	907,534
Income tax expense	(169,671)	(37,821)	(64,017)	(4,918)	-	(276,427)
Net profit after tax	$ 226,724	$ 193,668	$ 217,059	$ (6,344)	$ -	631,107
Share of profit or loss of associates						415,701
Consolidated net profit						$ 1,046,808
Identifiable assets	$ 10,237,637	$ 3,975,100	$ 3,704,238	$ 1,577,064	$ (2,670,087)	$ 16,823,952
Goodwill						31,186
Investment accounted for using equity method						3,511,235
Total assets						$ 20,366,235
Total liabilities	$ 8,422,292	$ 1,622,714	$ 1,972,526	$ 1,253,819	$ (1,653,037)	$ 11,618,314

The accounting policies adopted for the segments of the Group did not have significant differences with Note 4.

Segment profit represented the profit before tax earned by each segment without share of profits of associates. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. For the purpose of monitoring segment performance and allocating resources between segments, all assets were allocated to reportable segments other than interests in associates accounted for using the equity method.

b. Other segment information

	Depreciation and amortization		Noncurrent assets increased in the current year	
	For the year ended December 31		For the year ended December 31	
	2013	2012	2013	2012
Wah Lee Industrial	$ 53,244	$ 62,954	$ 18,321	$ 17,638
Shanghai Yikang	13,538	10,554	34,279	3,108
Dong Guan Hua Gang	12,339	10,468	66,393	3,893
Others	5,936	1,445	369,460	108,146
	$ 85,057	$ 85,421	$ 488,453	$ 132,785

c. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the year ended December 31	
	2013	2012
IT Industry	$ 11,965,676	$ 11,938,658
Semiconductor Industry	6,041,368	5,239,344
Opto-electronics	4,493,977	4,114,182
PCB Industry	2,602,734	2,512,280
FPD Industry	7,646,639	5,956,998
Others	1,648,004	1,783,812
	$ 34,398,398	$ 31,545,274

d. Geographical information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	Year Ended December 31		Year Ended December 31	
	2013	2012	2013	2012
Taiwan	$ 15,392,926	$ 13,441,835	$ 766,217	$ 801,140
China	14,686,838	13,778,925	290,201	215,406
Others	4,318,634	4,324,514	473,304	109,780
	$ 34,398,398	$ 31,545,274	$ 1,529,722	$ 1,126,326

Non-current assets exclude non-current assets classified as post-employment benefit assets, financial instruments, deferred tax assets, and goodwill.

f. Information about major customers

No single customers contributed 10% or more to the Group's revenue for both 2013 and 2012.

33. FIRST-TIME ADOPTION OF IFRSs

a. Basis of preparation of financial information under Taiwan-IFRSs

The Group's consolidated financial statements for the year ended December 31, 2013 were the first IFRS financial statements. The Group not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis of the preparation.

b. Impact of the transition to Taiwan-IFRSs

The effects of the transition to Taiwan-IFRSs on the Group's consolidated balance sheets and consolidated statements of comprehensive income were stated as follows:

1) Reconciliation of consolidated balance sheet as of January 1, 2012: Table 1 (attached)

2) Reconciliation of consolidated balance sheet as of December 31, 2012: Table 2 (attached).

3) Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2012: Table 3 (attached).

d. Exemptions from IFRS 1

IFRS 1 establishes the procedures for the Group's first consolidated financial statements prepared in accordance with Taiwan-IFRSs. According to IFRS 1, the Group is required to determine the accounting policies under Taiwan-IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to Taiwan-IFRSs, January 1, 2012; except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The major optional exemptions the Group adopted are summarized as follows:

1) Business combinations

The Group elected not to apply IFRS 3, "Business Combinations," retrospectively to business combinations that occurred before the date of transition. Therefore, in the opening balance sheet, the amount of goodwill generated from past business combinations remains the same compared with the amount under ROC GAAP as of December 31, 2011.

The exemption from applying IFRS 3 "Business Combinations" also applies to investments in associates acquired in the past.

2) Deemed cost

For certain freehold lands, the Corporation elected to use the ROC GAAP revalued amount at the date of transition to Taiwan-IFRSs as their deemed cost under Taiwan-IFRSs. All other property, plant and equipment applied Taiwan-IFRSs retrospectively.

3) Employee benefits

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

4) Cumulative translation differences

The Group elected to reset the cumulative translation differences on all foreign operations to zero and recognized the amount in retained earnings at the date of transition to Taiwan-IFRSs. Gains or losses on subsequent disposal of any foreign operations will exclude the translation differences that arose before the date of transition to Taiwan-IFRSs.

5) Share-based payment transactions

The Group elected the exemption from applying IFRS 2, “Share-based Payment”, retrospectively for the share-based payment transactions granted and vested before the date of transition to Taiwan-IFRSs.

6) Designation of previously recognized financial instruments

The Group elected to designate the equity investments previously carried at cost as available-for-sale financial assets at the date of transition to Taiwan-IFRSs.

The effect of the abovementioned optional exemptions elected by the Group was stated in section “e. Explanations of significant reconciling items in the transition to Taiwan-Taiwan-IFRSs” below.

e. Explanations of significant reconciling items in the transition to Taiwan-IFRSs:

Material differences between the accounting policies under ROC GAAP and Taiwan-IFRSswere as follows:

1) Time deposits with maturity of more than 3 months from the date of acquisition

Under ROC GAAP, the term “cash and cash equivalents” used in the financial statements includes cash on hand, demand deposits, checking accounts, time deposits that can be readily cancelled without eroding the principal and negotiable certificates of deposit that can be readily sold without eroding the principal.

Under Taiwan-IFRSs, time deposits with maturity of more than 3 months from the date of acquisition, with fixed or determinable payments and with no quoted prices in an active market, are not included in the term ”cash and cash equivalents” and should be reclassified as other financial assets.

2) Deferred income tax arising from intra-group transactions

Under ROC GAAP, there is no provision related to tax rates to be applied in calculating deferred income tax on unrealized intra-group sales.

Under Taiwan-IFRSs, deferred income tax on temporary differences between the asset carrying amount and the tax basis of unrealized intra-group sales is assessed at the tax rate expected to be applied in the period when the asset is realized and the liability is liquidated. The tax rate is the buyers’ tax rate.

3) Reclassification of reserve for land value increment tax

Under the Regulations Governing the Preparation of Financial Reports by Securities Issuers, reserve for land value increment tax recognized due to land revaluation is classified as noncurrent liabilities.

Under Taiwan-IFRSs, if the Corporation elected to use revalued carrying amounts of land as its deemed costs at the first-time adoption of Taiwan-IFRSs, the related reserve for land value increment tax should be reclassified as deferred income tax liabilities.

4) Classifications of deferred tax assets / liabilities

Under ROC GAAP, a deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of the underlying asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability, then it is classified as either current or noncurrent on the basis of the expected length of time before it is realized or settled.

Under Taiwan-IFRSs, a deferred tax asset or liability should be classified as noncurrent.

Valuation allowance of deferred tax asset

Under ROC GAAP, if the deferred tax asset is not likely to be realized, a valuation allowance is recognized.

Under Taiwan-IFRSs, the deferred tax asset will be recognized only when it is probable to be realized, and no valuation allowance account is used.

Offset of deferred tax liabilities and assets

Under ROC GAAP, the same taxable entity's deferred tax liabilities and assets should be offset, and only the net amount is presented.

Under Taiwan-IFRSs, deferred tax assets and liabilities may be offset only when the taxes are of the same taxable entity and levied by the same taxation authority, and the entity has a legally enforceable right to offset the taxes.

5) Measurement of property, plant and equipment

Under ROC GAAP, property, plant and equipment held by the Corporation can be revalued in accordance with laws and regulations. Land can be revalued and adjusted to government announced current land value. The increase in the value of land is recognized as revaluation increment less the estimated reserve for land value increment tax.

Under Taiwan-IFRSs, accounting policy for subsequent recognition of its property, plant and equipment is under cost model, and no land value increment is allowed to be recognized accordingly.

6) Reclassification of deferred charges

Under ROC GAAP, deferred charges are classified as other assets.

Under Taiwan-IFRSs, deferred charges should be classified as property, plant and equipment intangible assets, prepaid expenses and long-term prepaid expenses by their nature.

7) Reclassification of prepayments for equipment

Under ROC GAAP, prepayments for equipment are classified as construction in progress and prepayments for equipment under property, plant and equipment.

Under Taiwan-IFRSs, prepayments for equipment should be classified as other noncurrent assets.

8) Reclassification of rental assets

Under ROC GAAP and the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the rental assets were recognized as other assets.

Under Taiwan-IFRSs, the rental assets that do not conform to criteria for investment property should be recognized as property, plant and equipment.

9) Actuarial gains and losses under defined benefit plan

Under ROC GAAP, actuarial gains (losses) are recognized based on the corridor approach and the amounts are amortized over the average remaining service life of active plan participants.

Under Taiwan-IFRSs, actuarial gains and losses recognized in other comprehensive income should be recognized immediately in retained earnings, and they should not be reclassified to profit or loss in a subsequent period.

Minimum pension liability

Under ROC GAAP, minimum pension liability is the minimum amount of pension liability that is required to be recognized on the balance sheet. If the accrued pension liability recorded on the books is less than the minimum amount, the difference shall be recognized.

Under Taiwan-IFRSs, there is no requirement for minimum pension liability.

Unrecognized net transition obligation

Under ROC GAAP, unrecognized net transition obligation, resulting from first-time adoption of SFAS No.18 “Accounting for Pensions” should be amortized on a straight-line basis over the average remaining service life of active plan participants and recognized as net periodic pension cost.

Under Taiwan-IFRSs, there is no transition application in IAS 19 “Employee Benefits”; unrecognized net transition obligation and related amounts should be all recognized in retained earnings at the date of transition to Taiwan-IFRSs.

Other long-term employee benefits

Under ROC GAAP, there is no requirement for other long-term employee benefit.

Under Taiwan-IFRSs, other long-term employee benefits are the accrued benefits of the employees, and the benefits should be paid after twelve months from the end of their services. The expenses should be recognized when the employees provide services which increase accrued benefits.

10) Short-term employee benefit

Under ROC GAAP, there is no requirement for accumulated compensated absences, and the costs of compensated absences are usually recognized in the period they actually occur.

Under Taiwan-IFRSs, the expected cost of accumulated compensated absences should be recognized when the employees render service that increases their entitlement to future compensated absences.

11) The functional currency of foreign operations

Under ROC GAAP, the functional currency is determined based on the applicable economic indicators.

Under Taiwan-IFRSs, according to IAS 21 “The Effects of Changes in Foreign Exchange Rates”, in determining the functional currency, priority is given to key indicators, and then to secondary indicators supporting the functional currency.

12) Capital surplus - option from associates

Under ROC GAAP, when there are changes in an investee's equity, except capital and retained earnings, the investor shall reflect such changes by adjusting other equity accounts related to investments and equity method investments.

Under Taiwan-IFRSs, if the changes do not affect the percentage of ownership over the investee, the investor shall reflect such changes in equity according to the percentage of ownership.

Subscription for new shares of associates / subsidiaries and adjustments to capital surplus related to equity method investments

Under ROC GAAP, when an investee issues new shares and existing shareholders do not subscribe to new shares at their respective proportion in shareholdings, the investor's shareholding in the equity method investee will change accordingly. As there are changes in the net assets value of the equity method investee attributable to the investor, the investor shall reflect such changes by adjusting capital surplus and equity method investments.

Under Taiwan-IFRSs, if the changes do not cause the investor to lose significant influence over associates, the change shall be treated as a deemed disposal with the related gain or loss recognized in earnings.

In addition, the Corporation complied with the IFRSs FAQs published by the Taiwan Stock Exchange, and reclassified the paid-in capital which did not meet the definitions under IFRSs or the Company Act and regulations of the Ministry of Economic Affairs to retained earnings.

13) Financial assets carried at cost

Under the Regulations Governing the Preparation of Financial Reports by Securities Issuers, shares that are not listed on the TSE or Taiwan GreTai Securities Market and of which the holder has no significant influence over the investee should be classified as financial assets carried at cost.

Under Taiwan-IFRSs, equity instruments that are designated as available-for-sale financial assets or are not designated as at FVTPL should be classified as available-for-sale financial assets and measured at fair value.

14) Allowance for sales discount

Under ROC GAAP, provisions of allowance for sales discount are recognized on the basis of past experience, and as a reduction in revenue and accounts receivable.

Under Taiwan-IFRSs, the allowance for sales discount is a present obligation with uncertain timing and an amount that arises from past events; therefore, it is reclassified as provisions under noncurrent liabilities.

15) Liquidation dividend

Under ROC GAAP, the cash dividend received from securities investment other than investment at FVTPL was recognized as recovery of investment cost.

Under Taiwan-IFRSs, liquidation dividend is recognized in profit or loss.

f. Explanations of material adjustments to the statement of cash flows

Time deposits that can be readily cancelled without eroding the principal and negotiable certificates of deposit that can be readily sold without eroding the principal meet the definition of cash in accordance with ROC GAAP. However, under IAS 7 "Statement of Cash Flows", cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. An investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Therefore, time deposits with a carrying amount of $1,680,295 thousand and $791,176 thousand as of December 31, 2012 and January 1, 2012, respectively, held by the Group were for investment purposes and thus no longer classified as cash under IFRSs.

According to ROC GAAP, interest paid and received and dividends received are classified as operating activities while dividends paid are classified as financing activities. Additional disclosure is required for interest expenses when reporting cash flow using indirect method. However, under IAS 7 "Statement of Cash Flows", cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as operating, investing or financing activities. Therefore, interests and dividends received by the Group of $65,542 thousand and $194,927 thousand, respectively, and the interest paid by the Group of $79,491 thousand for the year ended December 31, 2012 were presented separately at the date of transition to IFRSs.

Except for the above differences, there are no other significant differences between ROC GAAP and IFRSs in the consolidated statements of cash flows.

TABLE 1

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

RECONCILIATION OF CONSOLIDATED BALANCE SHEET
JANUARY 1, 2012
(In Thousands of New Taiwan Dollars)

Assets

ROC GAAP Item	ROC GAAP Amount	Effects of Transition to Taiwan-IFRSs: Presentation Difference	Effects of Transition to Taiwan-IFRSs: Recognition or Measurement Difference	Taiwan-IFRSs Amount	Taiwan-IFRSs Item	Note (Note 1)
CURRENT ASSETS					CURRENT ASSETS	
Cash and Cash equivalents	$ 2,112,011	$ (791,176)	$ -	$ 1,320,835	Cash and Cash equivalents	h-1
Financial assets at fair value through profit or loss - current	10,055	-	-	10,055	Financial assets at fair value through profit or loss - current	
Available-for-sale financial assets - current	348,591	-	-	348,591	Available-for-sale financial assets - current	
Notes receivable, net	616,663	-	-	616,663	Notes receivable, net	
Notes receivable - related parties	164	-	-	164	Notes receivable - related parties	
Accounts receivable, net	7,126,563	8,645	-	7,135,208	Accounts receivable, net	h-14
Accounts receivable - related parties	49,141	-	-	49,141	Accounts receivable - related parties	
Other receivables	112,711	-	-	112,711	Other receivables	
Other receivables - related parties	5,084	-	-	5,084	Other receivables - related parties	
Other financial assets	-	791,176	-	791,176	Other financial assets - current	h-1
Inventories	3,228,657	-	-	3,228,657	Inventories	
Prepayments and others	390,727	-	-	390,727	Prepayments and others	
Deferred tax assets	87,315	(87,315)	-	-	-	
Total current assets	14,087,682	(78,670)	-	14,009,012	Total current assets	h-4
LONG-TERM INVESTMENTS					NONCURRENT ASSETS	
Investments accounted for by the equity method	3,180,524	-	(8,122)	3,172,402	Investments accounted for using equity method	h-12, Note 2
Financial assets at fair value through profit or loss - noncurrent	91,350	-	-	91,350	Financial assets at fair value through profit or loss - noncurrent	
Available-for-sale financial assets	76,423	-	195,000	271,423	Available-for-sale financial assets - noncurrent	h-13, h-15
Financial assets carried at cost	137,931	-	(137,931)	-	-	h-13
Total long-term investments	3,486,228	-	48,947			
PROPERTY, PLANT AND EQUIPMENT						
Cost	1,282,035	171,046	27,352	1,480,433	Property, plant and equipment	g-2, h-5, h-8
Land revaluation increment	27,352	-	(27,352)	-	-	g-2, h-5
Less: Accumulated depreciation	411,581	50,871	-	462,452	Less: Accumulated depreciation	h-6, h-8
	897,806	120,175	-	1,017,981		
Prepayments for equipment	239	(239)	-	-	Prepayments for equipment	h-7
Net property, plant and equipment	898,045	119,936	-	1,017,981	Net property, plant and equipment	
INTANGIBLE ASSETS						
Computer software	-	47,673	-	47,673	Computer software	h-6
Deferred pension cost	80,332	-	(80,332)	-	-	h-9
Goodwill	32,410	-	-	32,410	Goodwill	
Total intangible assets	112,742	47,673	(80,332)			
OTHER ASSETS						
Rental assets	30,449	(30,449)	-	-	-	h-8
Refundable deposits	92,795	-	-	92,795	Refundable deposits	
Deferred charges	182,130	(182,130)	-	-	-	h-6
Restricted assets	320	(320)	-	-	-	
-	-	320	-	320	Other financial assets	
-	-	106,765	37,962	144,727	Deferred tax assets	g-3, h-2, h-4, h-9, h-10
-	-	44,970	-	44,970	Other noncurrent assets	h-6, h-7
Total other assets	305,694	(60,844)	37,962	4,916,051	Total noncurrent assets	
TOTAL	$ 18,890,391	$ 28,095	$ 6,577	$ 18,925,063	TOTAL	

Liabilities and Stockholders' Equity

ROC GAAP Item	ROC GAAP Amount	Effects of Transition to Taiwan-IFRSs: Presentation Difference	Effects of Transition to Taiwan-IFRSs: Recognition or Measurement Difference	Taiwan-IFRSs Amount	Taiwan-IFRSs Item	Note (Note 1)
CURRENT LIABILITIES					CURRENT LIABILITIES	
Short-term loans	$ 3,353,925	$ -	$ -	$ 3,353,925	Short-term loans	
Financial liabilities at fair value through profit or loss - current	249	-	-	249	Financial liabilities at fair value through profit or loss - current	
Short-term bills payable	50,000	-	-	50,000	Short-term bills payable	
Notes payable	585,112	-	-	585,112	Notes payable	
Notes payable - related parties	200,396	-	-	200,396	Notes payable - related parties	
Accounts payable	3,306,595	-	-	3,306,595	Accounts payable	
Accounts payable - related parties	241,781	-	-	241,781	Accounts payable - related parties	
Income tax payable	130,032	-	-	130,032	Current tax liabilities	
Accrued expenses	505,705	-	28,192	533,897	Other payables	g-3, h-9, h-10
Other payables	39,927	-	-	39,927	Other payables - other	
Current portion of long-term debt	9,034	-	-	9,034	Current portion of long-term debt	
Others	145,686	8,645	-	154,331	Other current liabilities - other	h-14
Total current liabilities	8,568,442	8,645	28,192	8,605,279	Total current liabilities	
					NONCURRENT LIABILITIES	
LONG-TERM DEBT	1,569,207	-	-	1,569,207	Long-term debt	
RESERVE FOR LAND VALUE INCREMENT TAX	8,894	(8,894)	-	-	-	h-3
OTHER LIABILITIES						
-	-	-	14,022	14,022	Provision - noncurrent	h-9
Accrued pension liabilities	231,850	-	30,592	262,442	Accrued pension liabilities	g-3, h-9
Guarantee deposits received	1,453	-	-	1,453	Guarantee deposits received	
Deferred tax liabilities	401,602	28,344	-	429,946	Deferred tax liabilities	h-3, h-4
Total other liabilities	634,905	28,344	44,614			
Total long-term and other liabilities	2,213,006	19,450	44,614	2,277,070	Total noncurrent liabilities	
Total liabilities	10,781,448	28,095	72,806	10,882,349	Total liabilities	
EQUITY					EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION	
Stockholders' equity of parent company						
Common stock	2,313,901	-	-	2,313,901	Ordinary shares	
Capital surplus	1,268,203	-	(57,364)	1,210,839	Capital surplus	h-12
Retained earnings	3,921,928	-	72,302	3,994,230	Retained earnings	g-2, g-3, g-4, h-2, h-9, h-10, h-12, h-15
Other equity					Other equity	
Cumulative translation adjustment	189,980	-	(189,980)	-	Exchange differences on translating foreign operations	g-4
Net loss not recognized as pension cost	(60,452)	-	60,452	-	-	h-9
Unrealized gains (loss) on financial instruments	(38,828)	-	62,409	23,581	Unrealized gain on available-for-sale financial assets	h-13, h-15, Note2
Unrealized revaluation increment	13,649	-	(13,649)	-	-	g-2
Total other equity	104,349	-	(80,768)	23,581	Total other equity	
Total stockholders' equity of parent company	7,608,381	-	(65,830)	7,542,551	Total equity attributable to owners of the corporation	
Minority interest	500,562	-	(399)	500,163	NON-CONTROLLING INTERESTS	h-10
Total stockholders' equity	8,108,943	-	(66,229)	8,042,714	Total stockholders' equity	
TOTAL	$ 18,890,391	$ 28,095	$ 6,577	$ 18,925,063	TOTAL	

Note 1: Refer to Note 33, d. Exemptions from IFRS 1 and e. Explanations of significant reconciling items in the transition to Taiwan-IFRSs.

Note 2: The recognition or measurement differences between ROC GAAP and Taiwan-IFRSs were recognized according to shareholding.

TABLE 2

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

RECONCILIATION OF CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

Assets

ROC GAAP Item	ROC GAAP Amount	Effects of Transition to Taiwan-IFRSs: Presentation Difference	Effects of Transition to Taiwan-IFRSs: Recognition or Measurement Difference	Taiwan-IFRSs Amount	Taiwan-IFRSs Item	Note (Note 1)
CURRENT ASSETS					CURRENT ASSETS	
Cash and Cash equivalents	$ 3,256,691	$ (1,680,295)	$ -	$ 1,576,396	Cash and Cash equivalents	h-1
Available-for-sale financial assets - current	162,914	-	-	162,914	Available-for-sale financial assets - current	
Notes receivable, net	753,999	-	-	753,999	Notes receivable, net	
Accounts receivable, net	7,722,091	17,851	-	7,739,942	Accounts receivable, net	h-14
Accounts receivable - related parties	65,878	-	-	65,878	Accounts receivable - related parties	
Other receivables	50,298	-	-	50,298	Other receivables	
Other receivables - related parties	3,415	-	-	3,415	Other receivables - related parties	
Other financial assets	-	1,680,295	-	1,680,295	Other financial assets - current	h-1
Inventories	2,649,570	-	-	2,649,570	Inventories	
Prepayments and others	248,437	-	-	248,437	Prepayments and others	
Deferred tax assets	89,055	(89,055)	-	-	-	h-4
Total current assets	15,002,348	(71,204)	-	14,931,144	Total current assets	
LONG-TERM INVESTMENTS					NONCURRENT ASSETS	
Investments accounted for by the equity method	3,526,921	-	(15,686)	3,511,235	Investments accounted for using equity method	h-12, Note 2
Financial assets at fair value through profit or loss - noncurrent	93,285	-	-	93,285	Financial assets at fair value through profit or loss - noncurrent	
Available-for-sale financial assets	82,886	-	369,346	452,232	Available-for-sale financial assets - noncurrent	h-13, h-15 h-13
Financial assets carried at cost	110,239	-	(110,239)	-	-	
Total long-term investments	3,813,331	-	243,421			
PROPERTY, PLANT AND EQUIPMENT						
Cost	1,298,958	172,238	27,352	1,498,548	Property, plant and equipment	g-2, h-5, h-8
Land revaluation increment	27,352	-	(27,352)	-	-	g-2, h-5
Less: Accumulated depreciation	449,938	73,984	-	523,922	Less: Accumulated depreciation	h-6, h-8
	876,372	98,254	-	974,626		
Prepayments for equipment	70,640	(70,640)	-	-	Prepayments for equipment	h-7
Net property, plant and equipment	947,012	27,614	-	974,626	Net property, plant and equipment	
INTANGIBLE ASSETS						
Computer software	-	37,032	-	37,032	Computer software	h-6
Deferred pension cost	73,340	-	(73,340)	-	-	h-9
Goodwill	31,186	-	-	31,186	Goodwill	
Total intangible assets	104,526	37,032	(73,340)			
OTHER ASSETS						
Rental assets	30,126	(30,126)	-	-	-	h-8
Refundable deposits	76,304	-	-	76,304	Refundable deposits	
Deferred charges	148,868	(148,868)	-	-	-	h-6
Restricted assets	320	(320)	-	-	-	
-	-	320	-	320	Other financial assets	
Deferred tax assets	378	105,450	38,833	144,661	Deferred tax assets	g-3, h-2, h-4, h-9, h-10
-	-	114,348	-	114,348	Other noncurrent assets	h-6, h-7
Total other assets	255,996	40,804	38,833	5,435,229	Total noncurrent assets	
TOTAL	$ 20,123,213	$ 34,246	$ 208,914	$ 20,366,373	TOTAL	

Liabilities and Stockholders' Equity

ROC GAAP Item	ROC GAAP Amount	Effects of Transition to Taiwan-IFRSs: Presentation Difference	Effects of Transition to Taiwan-IFRSs: Recognition or Measurement Difference	Taiwan-IFRSs Amount	Taiwan-IFRSs Item	Note (Note 1)
CURRENT LIABILITIES					CURRENT LIABILITIES	
Short-term loans	$ 3,632,371	$ -	$ -	$ 3,632,371	Short-term loans	
Notes payable	327,099	-	-	327,099	Notes payable	
Notes payable - related parties	201,807	-	-	201,807	Notes payable - related parties	
Accounts payable	4,127,371	-	-	4,127,371	Accounts payable	
Accounts payable - related parties	274,279	-	-	274,279	Accounts payable - related parties	
Income tax payable	79,477	-	-	79,477	Current tax liabilities	
Accrued expenses	490,763	-	25,259	516,022	Other payables	g-3, h-9, h-10
Other payables	23,102	-	-	23,102	Other payables - other	
Current portion of long-term debt	9,034	-	-	9,034	Current portion of long-term debt	
Others	84,161	17,851	-	102,012	Other liabilities - other	h-14
Total current liabilities	9,249,464	17,851	25,259	9,292,574	Total current liabilities	
					NONCURRENT LIABILITIES	
LONG-TERM DEBT	1,561,373	-	-	1,561,373	Long-term debt	
RESERVE FOR LAND VALUE INCREMENT TAX	8,894	(8,894)	-	-	-	h-3
OTHER LIABILITIES						
-	-	-	14,760	14,760	Provision - noncurrent	h-9
Accrued pension liabilities	245,453	-	36,434	281,887	Accrued pension liabilities	g-3, h-9
Guarantee deposits received	684	-	-	684	Guarantee deposits received	
Deferred tax liabilities	441,747	25,289	-	467,036	Deferred income tax liabilities	h-3, h-4
Total other liabilities	687,884	25,289	51,194			
Total long-term and other liabilities	2,258,151	16,395	51,194	2,325,740	Total noncurrent liabilities	
Total liabilities	11,507,615	34,246	76,453	11,618,314	Total liabilities	
EQUITY					EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION	
Stockholders' equity of parent company						
Common stock	2,313,901	-	-	2,313,901	Ordinary shares	
Capital surplus	1,303,820	-	(57,364)	1,246,456	Capital surplus	h-12
Retained earnings	4,370,858	-	67,747	4,438,605	Retained earnings	g-2, g-3, g-4, h-2, h-9, h-10 h-12, h-15
Other equity					Other equity	
Cumulative translation adjustment	45,709	-	(189,980)	(144,271)	Exchange differences on translating foreign operations	g-4
Net loss not recognized as pension cost	(66,882)	-	66,882	-	-	h-9
Unrealized gains (loss) on financial instruments	59,291	-	259,256	318,547	Unrealized gain on available-for-sale financial assets	h-13, h-15, Note 2
Unrealized revaluation increment	13,649	-	(13,649)	-	-	g-2
Total other equity	51,767	-	122,509	174,276	Total other equity	
Total stockholders' equity of parent company	8,040,346	-	132,892	8,173,238	Total equity attributable to owners of the corporation	
Minority interest	575,252	-	(431)	574,821	NON-CONTROLLING INTERESTS	h-10
Total stockholders' equity	8,615,598	-	132,461	8,748,059	Total stockholders' equity	
TOTAL	$ 20,123,213	$ 34,246	$ 208,914	$ 20,366,373	TOTAL	

Note 1: Refer to Note 33, d. Exemptions from IFRS 1 and e. Explanations of significant reconciling items in the transition to Taiwan-IFRSs.

Note 2: The recognition or measurement differences between ROC GAAP and Taiwan-IFRSs were recognized according to shareholding.

TABLE 3

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

RECONCILIATION OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

ROC GAAP		Effects of Transition to Taiwan-IFRSs		Taiwan-IFRSs		
Item	Amount	Presentation Difference	Recognition or Measurement Difference	Amount	Item	Note 1
OPERATING REVENUES					OPERATING REVENUES	
Net sales	$ 31,329,267	$ -	$ -	$ 31,329,267	Net sales	
Commission revenue	176,352	-	-	176,352	Commission revenue	
Other operating revenue	39,655	-	-	39,655	Other operating revenue	
Total operating revenues	31,545,274	-	-	31,545,274	Total operating revenues	
OPERATING COSTS	28,667,865	-	-	28,667,865	OPERATING COSTS	
Cost of goods sold	19,524	-	-	19,524	Cost of goods sold	h-9, h-10
Other operating costs	28,687,389	-	-	28,687,389	Other operating costs	h-8, h-9, h-10
GROSS PROFIT	2,857,885	-	-	2,857,885	GROSS PROFIT	
OPERATING EXPENSES					OPERATING EXPENSES	
Selling and marketing expenses	1,648,529	-	(4,530)	1,643,999	Selling and marketing expenses	
General and administrative expenses	374,964	299	(4,988)	370,275	General and administrative expenses	
Total operating expenses	2,023,493	299	(9,518)	2,014,274	Total operating expenses	
OPERATING INCOME	834,392	(299)	9,518	843,611	OPERATING INCOME	
NONOPERATING INCOME AND GAINS					NONOPERATING INCOME AND GAINS	
Interest income	65,542	-	-	65,542	Interest income	
Investment income recognized under equity method	417,542	-	(1,841)	415,701	Share of the profit or loss of associates	Note 2
Gain on disposal of property, plant and equipment	1,456	-	-	1,456	Gain on disposal of property, plant and equipment	
Gain on sale of investments	4,101	-	100	4,201	Gain on sale of investments	
Exchange gain, net	20,316	-	-	20,316	Exchange gain, net	
Valuation gain on financial assets	2,182	-	-	2,182	Gain on financial assets designated as at FVTPL	
Valuation gain on financial liabilities	939		-	939		
Others	90,162	-	-	90,162	Others	
Total nonoperating income and gains	602,240	-	(1,741)	600,499		
NONOPERATING EXPENSES AND LOSSES					NONOPERATING EXPENSES AND LOSSES	
Interest expense	79,521	-	-	79,521	Financial costs	
Loss on disposal of property, plant and equipment	2,956	-	-	2,956	Loss on financial assets at fair value through profit or loss	
Impairment loss	26,027	-	-	26,027	Impairment loss	
Others	12,670	(299)	-	12,371	Others	h-8
Total nonoperating expenses and losses	121,174	(299)	-	120,875	Total nonoperating expenses and losses	
INCOME BEFORE INCOME TAX	1,315,458	-	7,777	1,323,235	PROFIT BEFORE INCOME TAX	
INCOME TAX	275,263	-	1,164	276,427	INCOME TAX EXPENSES	h-2, h-9, h-10
NET INCOME	$ 1,040,195	$ -	$ 6,613	1,046,808	NET PROFIT	
				(102,905)	EXCHANGE DIFFERENCES ON TRANSLATING FOREIGN OPERATIONS	
				234,385	UNREALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	
				12,838	SHARE OF THE OTHER COMPREHENSIVE INCOME OF ASSOCIATES	
				(11,972)	ACTUARIAL GAINS ON DEFINED BENEFIT PLAN	
				22,771	INCOME TAX RELATING TO THE COMPONENTS OF OTHER COMPREHENSIVE INCOME	
				155,117	OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	
				$ 1,201,925	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	
NET PROFIT ATTRIBUIABLE TO					NET PROFIT ATTRIBUIABLE TO	
Owners of the Corporation	$ 981,127			$ 987,772	Owners of the Corporation	
Non-controlling interests	59,068			59,036	Non-controlling interests	
	$ 1,040,195			$ 1,046,808		
					TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO	
-				$ 1,127,267	Owners of the Corporation	
-				74,658	Non-controlling interests	
-				$ 1,201,925		

Note 1: Refer to Note 33, d. Exemptions from IFRS 1, and e. Explanations of significant reconciling items in the transition to Taiwan-IFRSs.

Note 2: The recognition or measurement differences between ROC GAAP and Taiwan-IFRSs were recognized according to shareholding.