# Coxon Precise Industrial Co., Ltd. and Subsidiaries

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

**DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2013 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Accounting Standard 27 "Consolidated and Separate Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

COXON PRECISE INDUSTRIAL CO., LTD.

By

HUNG, HUAN-CHING
Director

March 13, 2014

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders
Coxon Precise Industrial Co., Ltd.

We have audited the accompanying consolidated balance sheets of Coxon Precise Industrial Co., Ltd. (the "Company") 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 Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, 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.

We have also audited the parent company only financial statements of Coxon Precise Industrial Co., Ltd. as of and for the years ended December 31, 2013 and 2012 on which we have issued an unqualified report.

March 13, 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.*

## COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**
**(In Thousands of New Taiwan Dollars)**

| | December 31, 2013 | | December 31, 2012 | | January 1, 2012 | |
|---|---|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Notes 4, 6 and 33) | $ 2,014,481 | 18 | $ 1,636,106 | 15 | $ 1,625,205 | 15 |
| Financial assets at fair value through profit or loss - current (Notes 4, 7 and 33) | - | - | - | - | 5,028 | - |
| Available-for-sale financial assets - current (Notes 4, 8 and 33) | 28,700 | - | 54,150 | 1 | 50,865 | 1 |
| Derivative financial assets for hedging - current (Notes 4, 9 and 33) | - | - | - | - | 5,564 | - |
| Notes receivable from unrelated parties (Notes 4, 11 and 33) | 2,708 | - | 13,257 | - | 3,991 | - |
| Trade receivables from unrelated parties (Notes 4, 5, 11 and 33) | 2,214,269 | 20 | 2,616,371 | 24 | 2,313,462 | 22 |
| Trade receivables from related parties (Notes 11, 33 and 34) | 185,625 | 2 | 27,901 | - | - | - |
| Other receivables (Note 33) | 32,532 | - | 34,060 | - | 26,161 | - |
| Other receivables from related party (Notes 33 and 34) | 7,145 | - | 7,437 | - | 12,069 | - |
| Inventories (Notes 4, 5 and 12) | 588,241 | 5 | 714,202 | 6 | 759,745 | 7 |
| Prepayments | 84,995 | 1 | 144,773 | 1 | 100,133 | 1 |
| Other financial assets - current (Notes 4, 17, 33 and 35) | 205,607 | 2 | 68,662 | 1 | 228,432 | 2 |
| Other current assets | 23,598 | - | 25,952 | - | 8,772 | - |
| Total current assets | 5,387,901 | 48 | 5,342,871 | 48 | 5,139,427 | 48 |
| NON-CURRENT ASSETS | | | | | | |
| Financial assets measured at cost - non-current (Notes 4, 5, 10 and 33) | 56,345 | 1 | 56,345 | - | 66,475 | 1 |
| Investments accounted for using equity method (Notes 4 and 13) | 358,082 | 3 | 345,268 | 3 | 276,008 | 2 |
| Property, plant and equipment (Notes 4, 14, 35 and 36) | 5,074,615 | 45 | 5,043,704 | 45 | 4,873,400 | 45 |
| Intangible assets (Notes 4 and 15) | 36,644 | - | 30,034 | - | 35,935 | - |
| Deferred tax assets (Notes 4, 5 and 27) | 82,107 | 1 | 107,899 | 1 | 175,783 | 2 |
| Prepayment on equipment (Note 36) | 90,630 | 1 | 176,979 | 2 | 170,734 | 1 |
| Long-term prepayments for lease (Notes 16 and 35) | 64,282 | 1 | 62,743 | 1 | 67,365 | 1 |
| Other non-current assets (Notes 4, 11 and 18) | 8,099 | - | 10,972 | - | 12,040 | - |
| Total non-current assets | 5,770,804 | 52 | 5,833,944 | 52 | 5,677,740 | 52 |
| TOTAL | $ 11,158,705 | 100 | $ 11,176,815 | 100 | $ 10,817,167 | 100 |
| **LIABILITIES AND EQUITY** | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Short-term borrowings (Notes 19 and 33) | $ 149,025 | 1 | $ 161,172 | 2 | $ 521,693 | 5 |
| Financial liabilities at fair value through profit or loss - current (Notes 4, 7, 20 and 33) | 7,199 | - | 5,220 | - | - | - |
| Notes payable to unrelated parties (Notes 21 and 33) | 1,635 | - | 2,185 | - | 5,058 | - |
| Trade payables to unrelated parties (Notes 21 and 33) | 862,252 | 8 | 978,412 | 9 | 933,975 | 9 |
| Trade payables to related parties (Notes 21, 33 and 34) | 46,614 | - | 14,288 | - | 10,496 | - |
| Payables on equipment (Notes 22, 33 and 34) | 173,264 | 2 | 393,855 | 4 | 332,737 | 3 |
| Other payables (Notes 22 and 33) | 879,365 | 8 | 878,774 | 8 | 844,373 | 8 |
| Other payables to related parties (Notes 33 and 34) | 19,185 | - | 8,698 | - | 3,704 | - |
| Current tax liabilities (Notes 4 and 27) | 31,324 | - | 17,586 | - | 68,303 | - |
| Provisions - current (Notes 4 and 23) | 18,464 | - | 16,299 | - | 16,669 | - |
| Current portion of long-term borrowings and bonds payable (Notes 19, 30 and 33) | 274,025 | 3 | 565,000 | 5 | 879,663 | 8 |
| Other current liabilities (Notes 22 and 34) | 55,944 | 1 | 43,597 | - | 97,041 | 1 |
| Total current liabilities | 2,518,296 | 23 | 3,085,086 | 28 | 3,713,712 | 34 |
| NON-CURRENT LIABILITIES | | | | | | |
| Bonds payable (Notes 4, 20 and 33) | 277,213 | 3 | 541,169 | 5 | - | - |
| Long-term borrowings (Notes 19, 30 and 33) | 1,235,279 | 11 | 1,287,648 | 11 | 598,686 | 6 |
| Deferred tax liabilities (Notes 4 and 27) | 247,647 | 2 | 177,107 | 2 | 207,501 | 2 |
| Accrued pension liabilities (Notes 4 and 24) | 21,274 | - | 18,512 | - | 13,151 | - |
| Other non-current liabilities (Notes 22 and 33) | 34,236 | - | 37,394 | - | 211,377 | 2 |
| Total non-current liabilities | 1,815,649 | 16 | 2,061,830 | 18 | 1,030,715 | 10 |
| Total liabilities | 4,333,945 | 39 | 5,146,916 | 46 | 4,744,427 | 44 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 25 and 27) | | | | | | |
| Share capital | | | | | | |
| Ordinary shares | 1,184,844 | 11 | 1,127,100 | 10 | 1,114,430 | 10 |
| Capital surplus | 2,627,218 | 23 | 2,380,407 | 21 | 2,286,419 | 21 |
| Retain earnings | | | | | | |
| Legal reserve | 491,765 | 4 | 456,361 | 4 | 421,728 | 4 |
| Special reserve | 173,553 | 2 | 173,553 | 2 | 173,553 | 1 |
| Unappropriated earnings | 1,497,340 | 13 | 1,465,232 | 13 | 1,495,058 | 14 |
| Total retain earnings | 2,162,658 | 19 | 2,095,146 | 19 | 2,090,339 | 19 |
| Other equity | 214,758 | 2 | (27,428) | - | 195,109 | 2 |
| Total equity attributable to owners of the Company | 6,189,478 | 55 | 5,575,225 | 50 | 5,686,297 | 52 |
| NON-CONTROLLING INTERESTS | 635,282 | 6 | 454,674 | 4 | 386,443 | 4 |
| Total equity | 6,824,760 | 61 | 6,029,899 | 54 | 6,072,740 | 56 |
| TOTAL | $ 11,158,705 | 100 | $ 11,176,815 | 100 | $ 10,817,167 | 100 |

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

# COXON PRECISE INDUSTRIAL CO., LTD. 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 REVENUE | | | | |
| Sales (Notes 4 and 34) | $ 8,261,683 | 103 | $ 8,753,900 | 103 |
| Less: Sales return | (144,552) | (2) | (171,530) | (2) |
| Less: Sales discount | (60,185) | (1) | (47,577) | (1) |
| Total operating revenue | 8,056,946 | 100 | 8,534,793 | 100 |
| OPERATING COSTS (Notes 12, 26 and 34) | (6,834,789) | (85) | (7,465,335) | (87) |
| GROSS PROFIT | 1,222,157 | 15 | 1,069,458 | 13 |
| OPERATING EXPENSES (Notes 26 and 34) | | | | |
| Selling and marketing expenses | (159,222) | (2) | (186,951) | (2) |
| General and administrative expenses | (462,491) | (6) | (438,677) | (5) |
| Research and development expenses | (51,041) | - | (69,296) | (1) |
| Total operating expenses | (672,754) | (8) | (694,924) | (8) |
| OTHER OPERATING INCOME AND EXPENSES (Notes 26 and 34) | 22,657 | - | 26,265 | - |
| PROFIT FROM OPERATIONS | 572,060 | 7 | 400,799 | 5 |
| NONOPERATING INCOME AND EXPENSES | | | | |
| Interest income | 11,788 | - | 4,869 | - |
| Dividend income | 2,350 | - | 1,950 | - |
| Other income (Note 34) | 35,480 | - | 54,009 | 1 |
| Foreign exchange gains (Note 4) | 37,598 | 1 | 44,374 | 1 |
| Gain on valuation of financial assets at fair value through profit or loss (Notes 4, 7 and 33) | - | - | 2,417 | - |
| Other non-operating expenses - other | (8,362) | - | (7,599) | - |
| Loss on disposal of investment | (65,745) | (1) | - | - |
| Financial asset impairment loss | - | - | (9,977) | - |
| Loss on valuation of financial assets at fair value through profit or loss (Notes 4, 7 and 33) | (4,655) | - | - | - |
| Finance costs (Note 26) | (44,549) | (1) | (44,421) | (1) |
| Invest recognized under equity method (Notes 4 and 13) | 45,405 | 1 | 26,379 | - |
| Total nonoperating income and expenses | 9,310 | - | 72,001 | 1 |

(Continued)

# COXON PRECISE INDUSTRIAL CO., LTD. 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 | % |
| PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS | $ 581,370 | 7 | $ 472,800 | 6 |
| INCOME TAX EXPENSE (Notes 4, 5 and 27) | (125,528) | (1) | (153,905) | (2) |
| NET PROFIT FOR THE YEAR | 455,842 | 6 | 318,895 | 4 |
| OTHER COMPREHENSIVE INCOME | | | | |
| Exchange differences on translating foreign operations (Notes 4 and 25) | 349,840 | 4 | (289,712) | (3) |
| Unrealized gain (loss) on available-for-sale financial assets (Notes 4, 25 and 33) | (22,250) | - | 3,285 | - |
| Cash flow hedges (Notes 4 and 25) | - | - | 641 | - |
| Actuarial gain and loss arising from defined benefit plans | (2,801) | - | (5,407) | - |
| Income tax relating to components of other comprehensive income | (53,686) | (1) | 47,303 | - |
| Other comprehensive income for the year, net of income tax | 271,103 | 3 | (243,890) | (3) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $ 726,945 | 9 | $ 75,005 | 1 |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owner of the Company | $ 417,100 | 5 | $ 344,491 | 4 |
| Non-controlling interests | 38,742 | 1 | (25,596) | - |
| | $ 455,842 | 6 | $ 318,895 | 4 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owner of the Company | $ 656,961 | 8 | $ 117,466 | 1 |
| Non-controlling interests | 69,984 | 1 | (42,461) | - |
| | $ 726,945 | 9 | $ 75,005 | 1 |
| EARNINGS PER SHARE (Note 28) | | | | |
| Basic | $ 3.57 | | $ 3.08 | |
| Diluted | $ 3.40 | | $ 3.04 | |

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

**COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES**

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

| | Equity Attributable to Owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained Earnings | | | Other Equity | | | | | |
| | Share Capital | Capital Surplus | Legal Reserve | Special Reserve | Unappropri-ated Earnings | Exchange Differences on Translating Foreign Operations | Unrealized Gain (Loss) on Available-for-sale Financial Assets | Cash Flow Hedges | Total | Non-controlling Interests | Total Equity |
| BALANCE AT JANUARY 1, 2012 | $ 1,114,430 | $ 2,286,419 | $ 421,728 | $ 173,553 | $ 1,495,058 | $ 154,485 | $ 41,265 | $ (641) | $ 5,686,297 | $ 386,443 | $ 6,072,740 |
| Appropriation of 2011 earnings | | | | | | | | | | | |
| Legal reserve | - | - | 34,633 | - | (34,633) | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | (335,196) | - | - | - | (335,196) | - | (335,196) |
| Net profit for the year ended December 31, 2012 | - | - | - | - | 344,491 | - | - | - | 344,491 | (25,596) | 318,895 |
| Other comprehensive income (loss) for the year ended December 31, 2012, net of income tax | - | - | - | - | (4,488) | (226,463) | 3,285 | 641 | (227,025) | (16,865) | (243,890) |
| Total comprehensive income (loss) for the year ended December 31, 2012 | - | - | - | - | 340,003 | (226,463) | 3,285 | 641 | 117,466 | (42,461) | 75,005 |
| Convertible bonds converted to ordinary shares | - | 49,140 | - | - | - | - | - | - | 49,140 | - | 49,140 |
| Issue of ordinary shares under employee share options | 12,670 | 44,848 | - | - | - | - | - | - | 57,518 | - | 57,518 |
| Non-controlling interests | - | - | - | - | - | - | - | - | - | 110,692 | 110,692 |
| BALANCE, DECEMBER 31, 2012 | 1,127,100 | 2,380,407 | 456,361 | 173,553 | 1,465,232 | (71,978) | 44,550 | - | 5,575,225 | 454,674 | 6,029,899 |
| Appropriation of 2012 earnings | | | | | | | | | | | |
| Legal reserve | - | - | 35,404 | - | (35,404) | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | (347,263) | - | - | - | (347,263) | - | (347,263) |
| Net profit for the year ended December 31, 2013 | - | - | - | - | 417,100 | - | - | - | 417,100 | 38,742 | 455,842 |
| Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax | - | - | - | - | (2,325) | 264,436 | (22,250) | - | 239,861 | 31,242 | 271,103 |
| Total comprehensive income (loss) for the year ended December 31, 2013 | - | - | - | - | 414,775 | 264,436 | (22,250) | - | 656,961 | 69,984 | 726,945 |
| Convertible bonds converted to ordinary shares | 50,964 | 221,334 | - | - | - | - | - | - | 272,298 | - | 272,298 |
| Issue of ordinary shares under employee share options | 6,780 | 25,477 | - | - | - | - | - | - | 32,257 | - | 32,257 |
| Non-controlling interests | - | - | - | - | - | - | - | - | - | 110,624 | 110,624 |
| BALANCE, DECEMBER 31, 2013 | $ 1,184,844 | $ 2,627,218 | $ 491,765 | $ 173,553 | $ 1,497,340 | $ 192,458 | $ 22,300 | $ - | $ 6,189,478 | $ 635,282 | $ 6,824,760 |

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

## COXON PRECISE INDUSTRIAL CO., LTD. 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 | $ 581,370 | $ 472,800 |
| Adjustments for: | | |
| Depreciation expenses | 806,800 | 740,449 |
| Amortization expenses | 15,253 | 13,965 |
| (Reversal of impairment loss) impairment loss recognized on trade receivable | (18,927) | 11,998 |
| Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss | 4,655 | (2,417) |
| Finance costs | 44,549 | 44,421 |
| Interest income | (11,788) | (4,869) |
| Dividend income | (2,350) | (1,950) |
| Compensation cost of employee share options | 5,206 | 6,965 |
| Share of loss of associates and joint ventures | (45,405) | (26,379) |
| (Gain) loss on disposal of property, plant and equipment | (10,530) | 1,821 |
| Loss on disposal of investment | 65,745 | - |
| Impairment loss recognized on financial assets | - | 9,977 |
| Write-down of inventories | (73,866) | 6,509 |
| Reversal of impairment loss on non-financial assets | (7) | (396) |
| Unrealized (gain) loss on the foreign currency exchange | (8,624) | 13,932 |
| Changes in operating assets and liabilities | | |
| (Increase) decrease in financial assets held for trading | (1,436) | 6,185 |
| Decrease (increase) in notes receivable | 10,668 | (9,360) |
| Decrease (increase) in trade receivables | 274,481 | (356,485) |
| Decrease (increase) in other receivables | 1,820 | (3,267) |
| Decrease in inventories | 199,827 | 39,034 |
| Decrease (increase) in prepayments | 59,778 | (44,640) |
| Decrease (increase) in other current assets | 2,354 | (17,180) |
| Decrease in notes payable | (550) | (2,873) |
| (Decrease) increase in trade payables | (87,547) | 54,947 |
| Increase in other payables | 12,323 | 38,579 |
| Increase (decrease) in provisions | 2,165 | (370) |
| Increase (decrease) in other current liabilities | 12,347 | (53,444) |
| Decrease in accrued pension liabilities | (39) | (46) |
| Cash generated from operations | 1,838,272 | 937,906 |
| Interest received | 11,788 | 4,869 |
| Dividend received | 26,769 | 9,996 |
| Interest paid | (39,200) | (41,816) |
| Income tax paid | (64,336) | (122,795) |
| Net cash generated from operating activities | 1,773,293 | 788,160 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds on sale of held-to-maturity financial assets | 21,634 | - |
| Acquisition of Investments accounted for using equity method | (17,895) | - |
| Payments for property, plant and equipment | (654,084) | (808,433) |
| Proceeds from disposal of property, plant and equipment | 100,873 | 66,451 |

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# COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

| | For the Year Ended December 31 | |
|---|---|---|
| | **2013** | **2012** |
| Decrease in refundable deposits | $ 2,873 | $ 1,068 |
| Payments for intangible assets | (18,614) | (7,276) |
| Proceeds on other financial assets | (136,945) | - |
| Decrease in other financial assets | - | 159,770 |
| Increase in prepayments for equipment | (210,520) | (476,907) |
| Net cash used in investing activities | (912,678) | (1,065,327) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of short-term borrowings | (12,147) | (360,521) |
| Proceeds from issue of convertible bonds | - | 595,000 |
| Proceeds from long-term borrowings | 1,310,279 | 1,662,877 |
| Repayments of long-term borrowings | (1,653,623) | (1,288,578) |
| Proceeds from guarantee deposits received | 408 | 2,373 |
| Execute employee shares options | 27,051 | 50,553 |
| Dividends paid to owners of the Company | (347,263) | (335,196) |
| Non-controlling interests variation | 110,624 | 110,692 |
| Net cash (used in) generated from financing activities | (564,671) | 437,200 |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | 82,431 | (149,132) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 378,375 | 10,901 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 1,636,106 | 1,625,205 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 2,014,481 | $ 1,636,106 |

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

## 1. GENERAL INFORMATION

Coxon Precise Industrial Co., Ltd. (the "Company") was incorporated in the Republic of China ("ROC") in June 1989. The Company mainly manufactures, packages and sells all kinds of molds, metal, plastic components and makes relevant investments.

The Company's shares have been listed on the Taiwan GreTai Securities Market since January 2008 and listed on the Taiwan Stock Exchange ("TSE") since October 2009.

The consolidated financial statements are presented in the Company's functional currency, 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 13, 2014.

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

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

   The Company and entities controlled by the Company (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. However, the FSC has not announced the effective dates of the 2013 version of the following new, amended and revised standards and interpretations.

| 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 |
| 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 | Effective Date Announced by IASB (Note 1) |
|---|---|
| Annual Improvements to IFRSs 2010-2012 Cycle | July 1, 2014 (Note 2) |
| Annual Improvements to IFRSs 2011-2013 Cycle | July 1, 2014 |
| IFRS 9 "Financial Instruments" | Note 3 |
| Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures" | Note 3 |
| IFRS 14 "Regulatory Deferral Accounts" | January 1, 2016 |
| Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions" | July 1, 2014 |
| Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets" | January 1, 2014 |
| Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" | January 1, 2014 |
| IFRIC 21 "Levies" | January 1, 2014 |

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

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

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

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

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

Recognition and measurement of financial liabilities

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 11 “Joint Arrangements”

IFRS 11 replaces IAS 31 “Interests in Joint Ventures” and SIC 13 “Jointly Controlled Entities - Non-Monetary Contributions by Ventures”. Joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Joint ventures are accounted for using the equity method. Under IAS 31, Joint arrangements are classified as jointly controlled entities, jointly controlled assets, and jointly controlled operations, and the Group accounts for its jointly controlled entities using the proportionate consolidation method.

c) 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 unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

d) 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 associates 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) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

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

5) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment 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.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

c. Significant impending changes in accounting policy resulted from the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers in issue but not yet effective

As of the date the consolidated financial statements were 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 complete.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On May 14, 2009, the FSC announced the "Framework for the Adoption of IFRSs by the 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 transition to IFRSs was January 1, 2012. Refer to Note 40 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 values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The opening consolidated balance sheets as of the date of transition to IFRSs were 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 40.

c. Classification of current and non-current 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, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; 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. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries, including special purpose entities).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

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

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

<u>Attribution of total comprehensive income to non-controlling interests</u>

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

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 Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of an investment in an associate or a jointly controlled entity.

2) Subsidiary included in consolidated financial statements

| | | | **% of Ownership** | | |
|---|---|---|---|---|---|
| **Investor** | **Investee** | **Main Business** | **December 31, 2013** | **December 31, 2012** | **January 1, 2012** |
| Coxon Precise Industrial Co., Ltd. | Coxon Industry Ltd. (Samoa) | Global investing activities | 100 | 100 | 100 |
| | Sun Can International Ltd. (Samoa) | Global investing activities | 100 | 100 | 100 |
| Sun Can International Ltd. (Samoa) | Sinxon Plastic (Dong Guan) Ltd. | Manufacturing and sale of nonmetal molding and automobile part | 100 | 100 | 100 |
| Coxon Precise Industrial Co., Ltd. | Teckyork Enterprise Co., Ltd. (Samoa) | Global investing activities | 100 | 100 | 100 |
| Teckyork Enterprise Co., Ltd. (Samoa) | Shanghai Teckyork Enterprise Co., Ltd. | Manufacturing and sale of nonmetal molding, precision plastic injection parts and optical lens | 100 | 100 | 100 |
| | Shanghai Sonor Enterprise Co., Ltd. | Manufacturing and sale of nonmetal molding, precision plastic injection parts, related semi-finished goods and components | 100 | 100 | 100 |
| | Vastech Industrial Co., Ltd. (Samoa) | Global investing activities | 100 | 100 | 100 |
| Vastech Industrial Co., Ltd. (Samoa) | Vastech Plastic (Shanghai) Industrial Co., Ltd. | Manufacturing and sale of nonmetal molding, precision plastic injection parts and optical lens | 100 | 100 | 100 |
| Teckyork Enterprise Co., Ltd. (Samoa) | Changshu Huaxon Industry Co., Ltd. | Manufacturing, assembling and sale of optical disc drive, digital camera parts, electric parts and nonmetal molding | 100 | 100 | 100 |
| Changshu Huaxon Industry Co., Ltd. | Shandong GoerXon Precision Industry Co., Ltd. | Manufacturing and sale of precision plastic injection parts | 51 | 51 | - |
| Coxon Precise Industrial Co., Ltd. | Cheng Yee Enterprise Ltd. (Samoa) | Global investing activities | 80 | 80 | 80 |
| Cheng Yee Enterprise Ltd. (Samoa) | Coxon Precise International Ltd. (BVI) | Global investing activities | 100 | 100 | 100 |
| | Hang Yuan Enterprise Ltd. (Samoa) | Global investing activities | 100 | 100 | 100 |
| Hang Yuan Enterprise Ltd. (Samoa) | Coxon Industry (Changshu) Co., Ltd. | Manufacturing and sale of nonmetal molding, precision plastic injection parts, related semi-finished goods and components | 100 | 100 | 100 |
| Cheng Yee Enterprise Ltd. (Samoa) | Coxon Medical Limited (Samoa) | Global investing activities | 80 | 80 | 80 |
| Coxon Medical Limited (Samoa) | Shanghai Coxon Medical Limited | Manufacturing of medical materials | 100 | 100 | 100 |
| Coxon Precise Industrial Co., Ltd. | Cheng Da Industry Ltd. (Samoa) | Global investing activities | 100 | 100 | 100 |
| Cheng Da Industry Ltd. (Samoa) | Dong Guan Cheng Da Metal Product Company Limited | Manufacturing optical instrument, electronic products and plastic products | 100 | - | - |
| Coxon Precise Industrial Co., Ltd. | PT. Coxon Industrial (liquidated at August 31, 2013) | Manufacturing and sale of nonmetal molding and automobile parts | - | 100 | 100 |
| | Soartek Optoelectronics Technology Co., Ltd. | Manufacturing of optical instrument and electronic components | 100 | 100 | 100 |
| Soartek Optoelectronics Technology Co., Ltd. | Hsiangtek Optical Technology Co., Ltd. (Samoa) | Global investing activities | 100 | 100 | - |
| Hsiangtek Optical Technology Co., Ltd. (Samoa) | Dong Guan Soartek Optical Technology Co., Ltd. | Manufacturing and sale of optical instrument, electronic products and plastic products | 100 | 100 | - |

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.

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Company) 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 Company and non-controlling interests as appropriates.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at 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 changes 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 the equity method is insufficient, the shortage is debited to retained earnings.

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.

The Group discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' 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 subsequent accumulated depreciation and subsequent 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.

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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; otherwise, corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

k. 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 are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

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.

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

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

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

iii. Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent, debt investments with no active market, and other receivables 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 and with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

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 trade receivables 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 of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

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.

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

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

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

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

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

Repurchase of the Company'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 Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

- Financial liabilities at fair value through profit or loss

  Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

  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.

b) Derecognition of financial liabilities

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

4) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

5) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate 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 unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. 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.

l. Hedge accounting

The Group designates certain hedging instruments, as fair value hedges and cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as fair value hedge and cash flow hedges.

1) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The fair value adjustment to the carrying amount of the hedged instrument arising from the hedged risk for which the effective interest method is used is amortized to profit or loss from the date of hedge accounting is discontinued. The adjustment is based on a recalculated effective interest rate at the date amortization begins and will be amortized fully by maturity of the financial instrument.

2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

m. Provisions

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 (where the effect of the time value of money is material).

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Group's obligation by the management of the Group.

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 and recognizes a liability for 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.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

2) Rendering of services

Service income is recognized when conditions are satisfied as follow:

a) the amount of revenue can be measured reliably;

b) it is probable that the economic benefits associated with the transaction will flow to the entity;

c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and

d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The Group recognized the revenue within the scope of recoverable costs, when the results of rendering services cannot be measured reliably; the Group does not recognized the revenue, when the results of rendering services cannot be measured reliably and the cost is likely unrecoverable.

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 effective interest rate applicable.

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.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rents arising under operating leases are recognized as income in the period in which they are incurred.

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

p. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. 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.

r. Employee share options

- Employee share options granted to employee

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the employee share options is recognized as an expense in full at the grate date when the share options granted vest immediately.

Restricted shares for employees are measured at fair value on the date of grant, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration, and should be returned, they are recognized as payables. Dividends paid to employees on the restricted shares that do not need to be returned if employees resign in the vesting period, are recognized as expenses when the dividends are declared with a corresponding adjustment in capital surplus - restricted shares for employees.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

s. 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, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the 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 to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the 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 and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

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

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

a. Income taxes

   As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amount of deferred tax assets in relation to unused tax losses was $82,107 thousand, $107,899 thousand and $175,783 thousand, respectively. As of December 31, 2013, December 31, 2012 and January 1, 2012, no deferred tax asset has been recognized on tax losses of $352,554 thousand, $312,679 thousand and $140,963 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

b. Estimated impairment of trade receivables

   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.

   As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amount of trade receivables was $2,399,894 thousand, $2,644,272 thousand and $2,313,462 thousand (after deduction of the amount of allowance for impairment loss $13,106 thousand, $19,316 thousand and $20,601 thousand), respectively.

c. Write-down of inventory

   Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amount of inventory was $588,241 thousand, $714,202 thousand and $759,745 thousand, respectively.

d. Recognition and measurement of defined benefit plans

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

As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amount of accrued pension liability was $21,274 thousand, $18,512 thousand and $13,151 thousand, respectively.

e. Impairment of financial asset measured at cost

The Group immediately recognizes impairment loss when there is any indication that the financial asset may be impaired and the carrying amount may not be recoverable. The Group's management evaluates the impairment based on the estimated future cash flow.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amount of financial asset measured at cost was $56,345 thousand, $56,345 thousand and $66,475 thousand; the carrying amount of accumulated impairment was $26,224 thousand, $26,224 thousand and $16,247 thousand, respectively.

## 6. CASH AND CASH EQUIVALENTS

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Cash on hand | $ 2,279 | $ 2,846 | $ 2,299 |
| Checking accounts and demand deposits | 1,697,791 | 1,633,260 | 1,613,471 |
| Cash equivalents | | | |
| Bank acceptances | - | - | 9,435 |
| Time deposits with original maturities of less than three months | 314,411 | - | - |
| | $ 2,014,481 | $ 1,636,106 | $ 1,625,205 |

The market rate intervals of cash in bank and time deposit with original maturities of less than three months were as follows:

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Bank deposits | 0.05%-0.35% | 0.05%-0.35% | 0.05%-0.5% |
| Time deposits | 0.5%-2.85% | - | - |

As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amounts of time deposits with original maturities of over three months were $146,657 thousand, $64,082 thousand and $184,210 thousand, respectively which had been reclassified to other financial assets - current (Notes 14 and 40).

## 7. 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 | | | |
| Foreign exchange forward contracts | $ - | $ - | $ 5,028 |
| Financial liabilities held for trading | | | |
| Derivative financial liabilities | | | |
| Foreign exchange forward contracts | $ 3,394 | $ - | $ - |
| Financial liabilities at fair value through profit and loss (FVTPL) | 3,805 | 5,220 | - |
| | $ 7,199 | $ 5,220 | $ - |

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting and not due were as follows:

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|---|---|---|---|
| December 31, 2013 | | | |
| Buy | JPY/USD | January 2014-May 2014 | JPY230,000/USD2,305 |

December 31, 2012: None

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|---|---|---|---|
| January 1, 2012 | | | |
| Buy | RMB/USD | January 2012-June 2012 | RMB85,674/USD13,400 |
| Buy | JPY/USD | January 2012-April 2012 | JPY240,000/USD3,073 |

The Group entered into foreign exchange forward contracts during 2013 and 2012 to manage exposures to exchange 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 using hedge accounting.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Domestic investments | | | |
| Listed shares and emerging market shares | $ 28,700 | $ 54,150 | $ 50,865 |

In January 2012 (transform in IFRSs day), the Group designated emerging market shares measured at cost $9,600 thousand as available-for-sale financial assets (Note 40).

## 9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Derivative financial assets under hedge accounting - current | | | |
| Cross currency swap | $ - | $ - | $ 5,564 |

The Group used cross currency swaps to minimize its exposure related to the outstanding variable rate borrowing. The outstanding cross currency swaps of the Group at the end of the reporting period were as follows:

| | Derivative Instruments in Designated Hedge Accounting Relationships | Period of Generate Cash Flow | Period of Recognize in Profit and Loss |
|---|---|---|---|
| Variable rate foreign currency borrowings | Cross currency swaps | September 6, 2011-September 6, 2012 | September 6, 2011-September 6, 2012 |

Conditions as follows:

a. Notional amount: US$5,000 thousand.

b. The cross currency swaps settle on a month basis. The Group pays a fixed interest rate 0.65%. The floating rate on the interest rate swaps is the 3 month USD LIBOR plus 0.6%.

c. The Group buys U.S. dollar using exchange rate $29.034 to repay the foreign currency US$5,000 thousand borrowing due on September 6, 2012.

## 10. FINANCIAL ASSETS MEASURED AT COST

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Domestic unlisted common stocks | $ - | $ - | $ 6,020 |
| Overseas unlisted common stocks | 56,345 | 56,345 | 60,455 |
| | $ 56,345 | $ 56,345 | $ 66,475 |

Management believed that fair value of the above unlisted equity investments held by the Company, which could not be reliably measured because the range of reasonable fair value estimates was so significant; thus, they were measured at cost less impairment at the end of the reporting period.

As of Note 8, the Group designated $9,600 thousand emerging market shares measured at cost as available-for-sale financial assets.

## 11. NOTES RECEIVABLE AND TRADE RECEIVABLES

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Notes receivable | | | |
| Notes receivable | $ 2,723 | $ 13,391 | $ 4,031 |
| Less: Allowance for impairment loss | (15) | (134) | (40) |
| | $ 2,708 | $ 13,257 | $ 3,991 |
| Trade receivables | | | |
| Non-related parties | $ 2,227,375 | $ 2,635,687 | $ 2,334,063 |
| Related parties | 185,625 | 27,901 | - |
| Less: Allowance for impairment loss | (13,106) | (19,316) | (20,601) |
| | $ 2,399,894 | $ 2,644,272 | $ 2,313,462 |

The average credit period on sales of goods was 90-120 days. No interest was charged on trade receivables. The Group recognized an allowance for impairment loss of 100% against all receivables over 181 days because historical experience had been that receivables that are past due beyond 181 days were not recoverable. Allowance for impairment loss were recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The customers individually represented more than 5% of the total balance of trade receivables on December 31, 2013, December 31, 2012 and January 1, 2012 as follow:

| Customer | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| A | $ 287,245 | $ 231,230 | Note |
| D | Note | 137,697 | $ 205,974 |
| E | Note | 136,223 | Note |
| F | Note | 132,761 | Note |
| G | Note | Note | 234,395 |
| H | 180,653 | Note | Note |

Note: Less than 5% of the total balance of trade receivables.

The credit risk is limited, because the customers of the Group have no relevance each other. Movement in the allowance for impairment loss recognized on notes receivable and trade receivables were as follow:

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Note Receivable | Trade Receivable | Overdue Receivable | Note Receivable | Trade Receivable | Overdue Receivable |
| Balance at January 1 | $ 134 | $ 19,316 | $ 31,604 | $ 40 | $ 20,601 | $ 19,106 |
| Less: Amounts written off as uncollectible | - | (7,360) | - | - | (17) | - |
| Add: Impairment losses recognized on receivables | - | 502 | - | 94 | - | 12,663 |
| Less: Impairment losses reversed | (119) | - | (19,310) | - | (759) | - |
| Add (less): Effect of exchange rate changes | - | 648 | 394 | - | (509) | (165) |
| Balance, end of year | $ 15 | $ 13,106 | $ 12,688 | $ 134 | $ 19,316 | $ 31,604 |

Overdue receivables were classified under other assets.

Trade receivables disclosed above included amounts (the aging analysis is shown below) that were past due at the end of the reporting period but for which the Company did not recognized an allowance for impairment loss because there were no significant changes in their credit quality and the amounts were considered recoverable.

The aging analysis of the trade receivables that were impaired was as follows:

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Not overdue | $ 2,261,776 | $ 2,431,285 | $ 2,102,643 |
| Overdue with ages of 1-30 days | 76,979 | 181,717 | 150,591 |
| Overdue with ages of 31-60 days | 57,640 | 18,551 | 48,184 |
| Overdue with ages of 61-90 days | 9,468 | 9,078 | 14,590 |
| Overdue with ages of 91-180 days | 3,134 | 19,092 | 10,351 |
| Overdue with ages of 181 days | 4,003 | 3,865 | 7,704 |
| | $ 2,413,000 | $ 2,663,588 | $ 2,334,063 |

## 12. INVENTORIES

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Raw materials | $ 132,107 | $ 138,419 | $ 161,418 |
| Materials | 49,147 | 50,787 | 33,125 |
| Work in progress (include mold) | 134,911 | 212,024 | 258,774 |
| Semifinished product | 53,219 | 78,925 | 72,464 |
| Finished goods | 218,857 | 234,047 | 233,964 |
| | $ 588,241 | $ 714,202 | $ 759,745 |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2012 was $6,834,789 thousand and $7,465,335 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2013 and December 31, 2012 included reversal of inventory write - downs of $73,866 thousand and write-down of $6,509 thousand, respectively. Previous write - downs were reversed as a result of increased selling prices in markets. The allowance of impaired inventory as of December 31, 2013, December 31, 2012 and January 1, 2012 is $193,218 thousand, $262,474 thousand and $259,627 thousand, respectively.

## 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

**Investments in Associates**

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Unlisted companies | | | |
| Toyo Precision Appliance (Kanshan) Co., Ltd. | $ 326,185 | $ 283,490 | $ 276,008 |
| Changshu Houkennixx Plastic Product Co., Ltd. | 31,897 | 17,424 | - |
| GoerXon Optical Technology Co., Ltd. | - | 44,354 | - |
| | $ 358,082 | $ 345,268 | $ 276,008 |

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

| Name of Associate | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Toyo Precision Appliance (Kanshan) Co., Ltd. | 30% | 30% | 30% |
| Changshu Houkennixx Plastic Product Co., Ltd. | 20% | 20% | - |
| GoerXon Optical Technology Co., Ltd. | - | 40% | - |

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

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Total assets | $ 1,889,356 | $ 1,752,952 | $ 1,526,707 |
| Total liabilities | $ 642,562 | $ 609,721 | $ 606,680 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2013 | 2012 |
| Revenue | $ 1,593,407 | $ 1,291,490 |
| Profit for the year | $ 142,789 | $ 88,192 |

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

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land | Buildings | Machinery | Transportation Equipment | Office Equipment | Leasehold Improvement | Other Equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | |
| Balance, at January 1, 2012 | $ 79,244 | $ 1,899,042 | $ 6,033,597 | $ 64,195 | $ 130,883 | $ 711,408 | $ 258,747 | $ 961 | $ 9,178,077 |
| Additions | - | 5,528 | 630,146 | 2,653 | 9,789 | 9,779 | 8,226 | 27,074 | 693,195 |
| Disposals | - | (37 ) | (266,985 ) | (3,573 ) | (3,004 ) | - | (850 ) | - | (274,449 ) |
| Reclassification | - | - | 430,293 | - | 9,993 | 24,143 | 9,641 | (3,378 ) | 470,692 |
| Effect of exchange rate changes | - | (69,876 ) | (248,243 ) | (1,884 ) | (4,967 ) | (28,609 ) | (11,423 ) | (365 ) | (365,367 ) |
| Balance, at December 31, 2012 | $ 79,244 | $ 1,834,657 | $ 6,578,808 | $ 61,391 | $ 142,694 | $ 716,721 | $ 264,341 | $ 24,292 | $ 9,702,148 |

(Continued)

| | Freehold Land | Buildings | Machinery | Transportation Equipment | Office Equipment | Leasehold Improvement | Other Equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Accumulated depreciation and impairment | | | | | | | | | |
| Balance at January 1, 2012 | $ 18,812 | $ 374,404 | $ 3,411,934 | $ 36,371 | $ 91,293 | $ 205,200 | $ 166,663 | $ - | $ 4,304,677 |
| Disposals | - | (9 ) | (199,884 ) | (2,866 ) | (2,911 ) | - | (507 ) | - | (206,177 ) |
| Reversals of impairment losses recognized in profit or loss | - | - | (396 ) | - | - | - | - | - | (396 ) |
| Reclassification | - | - | 225 | - | - | - | (195 ) | - | 30 |
| Depreciation expense | - | 84,927 | 566,349 | 7,430 | 13,374 | 45,429 | 22,940 | - | 740,449 |
| Effect of exchange rate changes | - | (13,806 ) | (145,940 ) | (990 ) | (3,300 ) | (8,264 ) | (7,839 ) | - | (180,139 ) |
| Balance, at December 31, 2012 | $ 18,812 | $ 445,516 | $ 3,632,288 | $ 39,945 | $ 98,456 | $ 242,365 | $ 181,062 | $ - | $ 4,658,444 |
| Carry amounts value at January 1, 2012 | $ 60,432 | $ 1,524,638 | $ 2,621,663 | $ 27,824 | $ 39,590 | $ 506,208 | $ 92,084 | $ 961 | $ 4,873,400 |
| Carry amounts value at December 31, 2012 | $ 60,432 | $ 1,389,141 | $ 2,946,520 | $ 21,446 | $ 44,238 | $ 474,356 | $ 83,279 | $ 24,292 | $ 5,043,704 |
| Cost | | | | | | | | | |
| Balance, at January 1, 2013 | $ 79,244 | $ 1,834,657 | $ 6,578,808 | $ 61,391 | $ 142,694 | $ 716,721 | $ 264,341 | $ 24,292 | $ 9,702,148 |
| Additions | - | 29,099 | 285,501 | 5,228 | 10,321 | 71,140 | 8,080 | 20,558 | 429,927 |
| Disposals | - | (2,975 ) | (275,000 ) | (2,988 ) | (12,257 ) | - | (3,413 ) | - | (296,633 ) |
| Reclassification | - | 41,210 | 141,854 | 167 | 17,788 | 127,563 | 14,209 | (41,210 ) | 301,581 |
| Effect of exchange rate changes | - | 95,910 | 278,620 | 2,580 | 4,965 | 25,278 | 11,899 | 995 | 420,247 |
| Balance, at December 31, 2013 | $ 79,244 | $ 1,997,901 | $ 7,009,783 | $ 66,378 | $ 163,511 | $ 940,702 | $ 295,116 | $ 4,635 | $ 10,557,270 |
| Accumulated depreciation and impairment | | | | | | | | | |
| Balance, at January 1, 2013 | $ 18,812 | $ 445,516 | $ 3,632,288 | $ 39,945 | $ 98,456 | $ 242,365 | $ 181,062 | $ - | $ 4,658,444 |
| Disposals | - | (2,809 ) | (186,807 ) | (2,143 ) | (11,926 ) | - | (2,605 ) | - | (206,290 ) |
| Reversals of impairment losses recognized in profit or loss | - | - | (7 ) | - | - | - | - | - | (7 ) |
| Reclassification | - | - | 4,822 | - | (110 ) | - | - | - | 4,712 |
| Depreciation expense | - | 88,626 | 610,881 | 6,185 | 16,619 | 59,417 | 25,072 | - | 806,800 |
| Effect of exchange rate changes | - | 21,942 | 172,384 | 1,512 | 3,433 | 10,453 | 9,272 | - | 218,996 |
| Balance, at December 31, 2013 | $ 18,812 | $ 553,275 | $ 4,233,561 | $ 45,499 | $ 106,472 | $ 312,235 | $ 212,801 | $ - | $ 5,482,655 |
| Carry amounts value at December 31, 2013 | $ 60,432 | $ 1,444,626 | $ 2,776,222 | $ 20,879 | $ 57,039 | $ 628,467 | $ 82,315 | $ 4,635 | $ 5,074,615 |

(Concluded)

Impairment assessment was performed by management for the years ended 2013 and 2012 as there was no indication of impairment.

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

| | |
|---|---|
| Building | |
| Main buildings | 5-20 years |
| Elevators | 2-20 years |
| Engineering systems | 5-20 years |
| Machinery | 1-10 years |
| Transportation equipment | 4-19 years |
| Office equipment | 3-8 years |
| Leasehold improvement | 5-20 years |
| Other equipment | 5-20 years |

Refer to Note 35 for the carrying amount of property, plant and equipment pledged by the group to secure borrowings/general banking facilities granted to the Group.

## 15. INTANGIBLE ASSETS

| | Computer Software | Other Intangible Assets | Total |
|---|---|---|---|
| Cost | | | |
| Balance at January 1, 2012 | $ 58,121 | $ 30,997 | $ 89,118 |
| Additions | 7,276 | - | 7,276 |
| Disposals | - | - | - |
| Effect of exchange rate changes | (2,154) | (1,264) | (3,418) |

(Continued)

| | Computer Software | Other Intangible Assets | Total |
|---|---|---|---|
| Balance at December 31, 2012 | $ 63,243 | $ 29,733 | $ 92,976 |
| Accumulated amortization | | | |
| Balance at January 1, 2012 | $ 42,941 | $ 10,242 | $ 53,183 |
| Amortization expense | 5,892 | 6,056 | 11,948 |
| Disposals | - | - | - |
| Effect of exchange rate changes | (1,661) | (528) | (2,189) |
| Balance at December 31, 2012 | $ 47,172 | $ 15,770 | $ 62,942 |
| Carrying amounts at January 1, 2012 | $ 15,180 | $ 20,755 | $ 35,935 |
| Carrying amounts at December 31, 2012 | $ 16,071 | $ 13,963 | $ 30,034 |
| Cost | | | |
| Balance at January 1, 2013 | $ 63,243 | $ 29,733 | $ 92,976 |
| Additions | 18,614 | - | 18,614 |
| Disposals | (412) | - | (412) |
| Effect of exchange rate changes | 3,482 | 783 | 4,265 |
| Balance at December 31, 2013 | $ 84,927 | $ 30,516 | $115,443 |
| Accumulated amortization | | | |
| Balance at January 1, 2013 | $ 47,172 | $ 15,770 | $ 62,942 |
| Amortization expense | 7,111 | 6,079 | 13,190 |
| Disposals | (412) | - | (412) |
| Effect of exchange rate changes | 2,639 | 440 | 3,079 |
| Balance at December 31, 2013 | $ 56,510 | $ 22,289 | $ 78,799 |
| Carrying amounts at December 31, 2013 | $ 28,417 | $ 8,227 | $ 36,644 |

(Concluded)

The above items of other intangible assets were depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Computer software | 1-10 years |
| Other intangible assets | 5 years |

## 16. LONG-TERM REPAYMENTS FOR LEASE OBLIGATIONS - NON-CURRENT

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Land use right | $ 64,282 | $ 62,743 | $ 67,365 |

Long-term prepaid lease payments include land use right which are located in Mainland China.

## 17. OTHER FINANCIAL ASSETS

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Other financial assets - current | | | |
| Time deposits with original maturities of more than three months | $ 146,657 | $ 64,082 | $ 184,210 |
| Time deposits pledged | 58,950 | 4,580 | 44,222 |
| | $ 205,607 | $ 68,662 | $ 228,432 |

The market interest rates intervals in above time deposits with original maturities of more than three months at the date of December 31, 2013, December 31, 2012 and January 1, 2012 were 1.54%-2.85%, 2.85%-3.575% and 3.10%-3.25%, respectively.

Refer to Note 35 for the time deposits pledged.

## 18. OTHER ASSETS

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Refundable deposits | $ 8,099 | $ 10,972 | $ 12,040 |
| Overdue receivable | 12,688 | 31,604 | 19,106 |
| Less: Allowance for impairment loss | (12,688) | (31,604) | (19,106) |
| | $ 8,099 | $ 10,972 | $ 12,040 |

## 19. BORROWINGS

a. Short-term borrowings

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Unsecured borrowings | | | |
| Line of credit borrowings | $ 149,025 | $ 161,172 | $ 521,693 |

The range of weighted average effective interest rate of bank loans was 1.47%, 1.82% and 1.3%-2.12% per annum as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

b. Long-term borrowings

| | December 31, 2013 | | December 31, 2012 | | January 1, 2012 | |
|---|---|---|---|---|---|---|
| Secured borrowings (Note 34) | | | | | | |
| Bank loans | | | | | | |
| Hua Nan Bank<br>Medium-term working capital loan with a credit line of $500,000 thousand and interest rate of 1.82% for the year ended December 31, 2012; loan period from October 31, 2012 to October 31, 2014. Principal lump-sum payment at maturity and interest payment monthly. The Company had paid off ahead of time. | $ | - | $ | 60,000 | $ | - |
| Hua Nan Bank<br>Medium-term working capital loan with a credit line of $500,000 thousand and interest rate of 1.72% for the year ended December 31, 2013; loan period from October 15, 2013 to October 14, 2015. Principal lump-sum payment at maturity and interest payment monthly. | | 60,000 | | - | | - |
| Hua Nan Bank<br>Medium-term working capital loan with a credit line of $500,000 thousand and interest rate of 1.75% for the year ended December 31, 2013; loan period from October 15, 2013 to October 14, 2015. Principal lump-sum payment at maturity and interest payment monthly. | | 240,000 | | - | | - |
| Unsecured borrowings | | | | | | |
| Bank loans | | | | | | |
| China Development Industrial Bank<br>Medium-term working capital loan with a credit line of $200,000 thousand and interest rate of 1.86% for the year ended December 31, 2011; loan period from August 19, 2010 to August 19, 2013. The Company had paid off ahead of time. | | - | | - | | 155,556 |
| China Development Industrial Bank<br>Medium-term working capital loan with a credit line of $200,000 thousand and interest rate of 1.776% for the year ended December 31, 2013; loan period from April 15, 2013 to April 15, 2016. Repayable in 8 quarterly installments from July 15, 2014 and interest is paid monthly. | | 50,000 | | - | | - |

(Continued)

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| China Development Industrial Bank<br>Medium-term working capital loan with a credit line of $200,000 thousand and interest rate of 1.724% for the year ended December 31, 2013; loan period from August 5, 2013 to April 15, 2016. Repayable in 8 quarterly installments from November 5, 2014 and interest is paid monthly. | $ 150,000 | $ - | $ - |
| Hua Nan Bank<br>Medium-term working capital loan with a credit line of $500,000 thousand and interest rate of 1.82% to 1.87% for the year ended December 31, 2011; loan period from December 2, 2011 to December 2, 2013. Principal lump-sum payment at maturity and interest payment monthly. The Company had paid off ahead of time. | - | - | 200,000 |
| Hua Nan Bank<br>Medium-term working capital loan with a credit line of $500,000 thousand and interest rate of 1.75% for the year ended December 31, 2012; loan period from July 31, 2012 to July 31, 2014. Principal lump-sum payment at maturity and interest payment monthly. The Company had paid off ahead of time. | - | 50,000 | - |
| Hua Nan Bank<br>Medium-term working capital loan with a credit line of $500,000 thousand and interest rate of 1.87% for the year ended December 31, 2012; loan period from September 4, 2012 to September 4, 2014. Principal lump-sum payment at maturity and interest payment monthly. The Company had paid off ahead of time. | - | 50,000 | - |
| Hua Nan Bank<br>Medium-term working capital loan with a credit line of $500,000 thousand and interest rate of 1.87% for the year ended December 31, 2012; loan period from October 31, 2012 to October 31, 2014. Principal lump-sum payment at maturity and interest payment monthly. The Company had paid off ahead of time. | - | 140,000 | - |

(Continued)

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| E.Sun Bank<br>Medium-term working capital loan with a credit line of $200,000 thousand and interest rate of 1.90% for the year ended December 31, 2012; loan period from September 3, 2012 to September 3, 2015. Repayable in 12 quarterly installments from September 2012 and interest is paid monthly. A grace period of one year is given. | $ - | $ 200,000 | $ - |
| E.Sun Bank<br>Medium-term working capital loan with a credit line of $250,000 thousand and interest rate of 1.75% for the year ended December 31, 2013; loan period from September 25, 2013 to September 25, 2016. Repayable in 12 quarterly installments from September 2013 and interest is paid monthly. A grace period of one year is given. | 200,000 | - | - |
| China Trust Bank<br>Medium-term working capital loan with a credit line of $400,000 thousand and interest rate of 1.697% for the year ended December 31, 2013; loan period from October 21, 2013 to October 21, 2015. Repayable in 8 quarterly installments from October 2013 and interest is paid monthly. A grace period of one year is given. | 150,000 | - | - |
| China Trust Bank<br>Medium-term working capital loan with a credit line of $400,000 thousand and interest rate of 1.658% for the year ended December 31, 2013; loan period from December 26, 2013 to October 25, 2015. Principal lump-sum payment at maturity and interest payment monthly. | 250,000 | - | - |
| China Trust Bank<br>Medium-term working capital loan with a credit line of $250,000 thousand and interest rate of 1.796% for the year ended December 31, 2012; loan period from July 9, 2012 to July 9, 2014. Principal lump-sum payment at maturity and interest payment monthly. The Company had paid off ahead of time. | - | 250,000 | - |

(Continued)

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| China Trust Bank | | | |
| Medium-term working capital loan with a credit line of $250,000 thousand and interest rate of 1.75% for the year ended December 31, 2011; loan period from July 8, 2011 to July 8, 2013. Repayable in 8 quarterly installments from October 8, 2012 and interest is paid monthly. The Company had paid off ahead of time. | $ - | $ - | $ 250,000 |
| China Trust Bank | | | |
| Medium-term working capital loan with a credit line of $400,000 thousand and interest rate of 2.05% for the year ended December 31, 2013; loan period from December 26, 2012 to December 25, 2015. Principal lump-sum payment at maturity and interest payment monthly. | 110,279 | 107,448 | - |
| Shanghai Commercial Savings Bank | | | |
| Medium-term working capital loan with a credit line of $200,000 thousand and interest rate of 1.80% for the year ended December 31, 2013; loan period from March 19, 2012 to January 15, 2014. Repayable in 4 quarterly installments from April 14, 2013 and interest is paid monthly. | 50,000 | 200,000 | - |
| Shanghai Commercial Savings Bank | | | |
| Medium-term working capital loan with a credit line of $250,000 thousand and interest rate of 1.79% for the year ended December 31, 2011; loan period from October 1, 2010 to October 15, 2012. Repayable installments from January 15 2011. The Company had paid off. | - | - | 125,000 |
| Ta Chong Bank | | | |
| Medium-term working capital loan with a credit line of $300,000 thousand and interest rate of 1.80% for the year ended December 31, 2012; loan period from May 28, 2012 to May 28, 2014. Repayable in 4 quarterly installments from August 28, 2013 and interest is paid monthly. The Company had paid off. | - | 150,000 | - |

(Continued)

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Ta Chong Bank | | | |
| Medium-term working capital loan with a credit line of $200,000 thousand and interest rate of 2.455% for the year ended December 31, 2011; loan period from December 20, 2011 to December 20, 2013. Repayable from March 20, 2013 and interest is paid monthly. The Company had paid off ahead of time. | $ - | $ - | $ 112,018 |
| Ta Chong Bank | | | |
| Medium-term working capital loan with a credit line of $300,000 thousand and interest rate of 1.95% for the year ended December 31, 2013; loan period from December 26, 2012 to December 26, 2014. Repayable in 4 quarterly installments from March 26, 2014 and interest is paid monthly. | 149,025 | 145,200 | - |
| Entie Bank | | | |
| Medium-term working capital loan with a credit line of $200,000 thousand and interest rate of 2.04% for the year ended December 31, 2012; loan period from December 4, 2012 to December 3, 2014. Repayable from December 3, 2013 and interest is paid monthly. The Company had paid off ahead of time. | - | 200,000 | - |
| Taiwan Cooperative Bank | | | |
| Medium-term working capital loan with a credit line of $200,000 thousand and interest rate of 1.75% for the year ended December 31, 2013; loan period from July 31, 2013 to July 31, 2015. Principal lump-sum payment at maturity and interest payment monthly. | 100,000 | - | - |
| Syndicated loan | | | |
| Loan with a credit line of $1,200,000 thousand and interest rate of 1.90%, for the year ended December 31, 2012; loan period from July 15, 2011 to July 15, 2014. Repayable within 180 days from July 15, 2011 and interest is paid monthly. The Company had paid off ahead of time. | - | 300,000 | 635,775 |
| | 1,509,304 | 1,852,648 | 1,478,349 |
| Less: Current portion | (274,025) | (565,000) | (879,663) |
| | $ 1,235,279 | $ 1,287,648 | $ 598,686 |

(Concluded)

The Company signed a syndicated loan with five banks and committed to maintain the following financial ratios based on financial statements audited by CPA once every half year during the credit period:

1) Current ratio (Current assets ÷ Current liabilities) maintained at 120% (or more).

2) Debt ratio (Total liabilities ÷ Tangible net worth) less than 100%.

3) Interest protection multiples (Income before tax + Interest expense + Depreciation and amortization) ÷ Interest expense not less than 5 times.

4) Tangible net worth (Equity - Intangible assets) maintained at $5 billion (or more).

The Company will be required to pay the loan ahead of time if once the Company violates the conditions.

## 20. BONDS PAYABLE

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Unsecured domestic bonds | $ 304,400 | $ 600,000 | $ - |
| Less: Discount on unsecured convertible bonds | (27,187) | (58,831) | - |
| | $ 277,213 | $ 541,169 | $ - |

a. As of November 5, 2012, the Company issued 6 thousand par 0% interest rate N.T. dollar - denominated unsecured convertible bonds in Taiwan, with an aggregate principal amount of $600,000 thousand.

b. The conversion price is $58 per common share initially and the conversion period is from December 6, 2012 to October 26, 2017. The conversion price will be adjusted upon the occurrence of change in the number of common shares and the conversion price is 55.42 per common share as of December 31, 2013.

c. Each bondholder has the right to put the convertible bonds at 101% of par value or 101.51% of par value before 30 days on and after the 3rd and 4th year, respectively.

d. The Company could redeem the convertible bonds at par value at any time during the period from 31 days after the original issue date to 40 days before the maturity date, under the following conditions: The closing price of the common shares on each of 30 consecutive trading days reaches or exceeds 30% of the conversion price, or the outstanding balance of the bonds is less than 10% of the original issuance.

   The convertible bonds contain both liability and convertible options. The effective interest rate of the liability component was 2.13% per annum on initial recognition. The convertible options were recognized in “Financial assets or liabilities at fair value through profit or loss”.

Movements of the host liability instrument and the conversion option derivative instrument in 2013 were as follows:

| | The Host Liability Instrument | The Conversion Option Derivative Instrument |
|---|---|---|
| Balance at January 1, 2013 | $ 541,169 | $ 5,220 |
| Less: Convert amount | (271,058) | (1,240) |
| Interest expense | 7,102 | - |
| Fair value changes gain (loss) | - | (175) |
| Balance at December 31, 2013 | $ 277,213 | $ 3,805 |

As of December 31, 2013, the bonds were converted $295,600 thousand so the outstanding bonds were $304,400 thousand.

## 21. NOTES PAYABLE AND TRADE PAYABLES

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Notes payable | | | |
| Non-related parties | $ 1,635 | $ 2,185 | $ 5,058 |
| Trade payables | | | |
| Non-related parties | $ 862,252 | $ 978,412 | $ 933,975 |
| Related parties | 46,614 | 14,288 | 10,496 |
| | $ 908,866 | $ 992,700 | $ 944,471 |

Trade payables were paid according to the condition of contract or billings from the suppliers. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 22. OTHER LIABILITIES

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Current | | | |
| Other payables | | | |
| Payable for purchase of equipment | $ 173,264 | $ 393,855 | $ 332,737 |
| Salaries or bonus | 226,457 | 223,471 | 208,713 |
| Payable for processing fees | 168,237 | 130,986 | 51,861 |
| Payable for bonus and director salaries | 28,000 | 40,000 | 40,000 |
| Others | 475,856 | 493,015 | 547,503 |
| | $ 1,071,814 | $ 1,281,327 | $ 1,180,814 |

(Continued)

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Other liabilities | | | |
| Advance payment | $ 16,574 | $ 18,591 | $ 46,806 |
| Others | 39,370 | 25,006 | 50,235 |
| | $ 55,944 | $ 43,597 | $ 97,041 |
| Non-current | | | |
| Payable for purchase of equipment | $ 27,355 | $ 30,921 | $ 207,277 |
| Guarantee deposits | 6,881 | 6,473 | 4,100 |
| | $ 34,236 | $ 37,394 | $ 211,377 |

(Concluded)

## 23. PROVISIONS

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Employee benefits | $ 18,464 | $ 16,299 | $ 16,669 |

The provision for employee benefits represents annual leave made by employees.

## 24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group's subsidiary in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

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

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

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

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Discount rates | 1.750% | 1.375% | 1.500% |
| Expected return on plan assets | 2.000% | 1.875% | 2.000% |
| Expected rates of salary increase | 2.000% | 2.000% | 2.000% |

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

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2013 | 2012 |
| Current service cost | $ 1,133 | $ 1,266 |
| Interest cost | 761 | 760 |
| Expected return on plan assets | (702) | (765) |
| | $ 1,192 | $ 1,261 |
| An analysis by function | | |
| Operating cost | $ 358 | $ 402 |
| Marketing expenses | 66 | 68 |
| Administration expenses | 738 | 728 |
| Research and development expenses | 30 | 63 |
| | $ 1,192 | $ 1,261 |

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012 was $2,325 thousand and $4,488 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2013 and 2012 was $6,813 thousand and $4,488 thousand, respectively.

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

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Present value of funded defined benefit obligation | $ 57,353 | $ 55,309 | $ 50,684 |
| Fair value of plan assets | (36,079) | (36,797) | (37,533) |
| Deficit | 21,274 | 18,512 | 13,151 |
| Net liability arising from defined benefit obligation | $ 21,274 | $ 18,512 | $ 13,151 |

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 | $ 55,309 | $ 50,684 |
| Current service cost | 1,134 | 1,266 |
| Interest cost | 761 | 760 |
| Actuarial losses | 2,558 | 5,007 |
| Benefits paid | (2,409) | (2,408) |
| Closing defined benefit obligation | $ 57,353 | $ 55,309 |

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 | $ 36,797 | $ 37,533 |
| Expected return on plan assets | 702 | 765 |
| Actuarial losses | (243) | (400) |
| Contributions from the employer | 1,232 | 1,307 |
| Benefits paid | (2,409) | (2,408) |
| Closing fair value of plan assets | $ 36,079 | $ 36,797 |

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 (Note 40):

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Present value of defined benefit obligation | $ 57,353 | $ 55,309 | $ 50,684 |
| Fair value of plan assets | $ 36,079 | $ 36,797 | $ 37,533 |
| Deficit | $ 21,274 | $ 18,512 | $ 13,151 |
| Experience adjustments on plan liabilities | $ 4,194 | $ 5,007 | $ - |
| Experience adjustments on plan assets | $ (243) | $ (400) | $ - |

The Group expects to make a contribution of $1,234 thousand and $1,232 thousand, respectively to the defined benefit plans during the annual period beginning after 2013 and 2012.

## 25. EQUITY

a. Ordinary shares

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Numbers of shares authorized (in thousands) | 150,000 | 150,000 | 150,000 |
| Shares authorized | $ 1,500,000 | $ 1,500,000 | $ 1,500,000 |
| Number of shares issued and fully paid (in thousands) | 118,484 | 112,710 | 111,443 |
| Shares issued | $ 1,184,844 | $ 1,127,100 | $ 1,114,430 |

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

12,000 thousand shares of the Company's shares authorized were reserved for the issuance of employee share options.

b. Capital surplus

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| From premium on issuance of common shares | $ 2,303,766 | $ 2,303,766 | $ 2,303,766 |
| From premium on stock option of convertible bonds | 242,736 | - | - |
| From premium on conversion of employee stock options | 109,283 | 89,012 | 51,129 |
| From employee stock options - issuance of common shares | 6,300 | 6,300 | 6,300 |
| From employee stock options | 58,124 | 52,918 | 45,953 |
| From stock option of convertible bonds | 27,738 | 49,140 | - |
| Treasury stock | (120,729) | (120,729) | (120,729) |
| | $ 2,627,218 | $ 2,380,407 | $ 2,286,419 |

A reconciliation of the carrying amount at the beginning and at the end of 2013 and 2012, for each class of capital surplus was as follows:

| | Premium on Conversion of Employee Stock Options | Employee Share Options | Premium on Stock Option of Convertible Bonds | Stock Option of Convertible Bonds |
|---|---|---|---|---|
| Balance at January 1, 2013 | $ 89,012 | $ 52,918 | $ - | $ 49,140 |
| Conversion of employee stock options | 20,271 | - | - | - |
| Conversion of convertible bonds | - | - | 242,736 | (21,402) |
| Arising on share-based payments | - | 5,206 | - | - |
| Balance at December 31, 2013 | $ 109,283 | $ 58,124 | $ 242,736 | $ 27,738 |
| Balance at January 1, 2012 | $ 51,129 | $ 45,953 | $ - | $ - |
| Conversion of employee stock options | 37,883 | - | - | - |
| Conversion of convertible bonds | - | - | - | 49,140 |
| Arising on share-based payments | - | 6,965 | - | - |
| Balance at December 31, 2012 | $ 89,012 | $ 52,918 | $ - | $ 49,140 |

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares, conversion of bonds and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

The capital surplus from long-term investments, employee share options and share warrants may not be used for any purpose.

c. Retained earnings and dividend policy

Under the Company law and the Company's articles of incorporation, 10% of the Company's net income after paying taxes and offsetting any deficit should first be appropriated as legal reserve. The special reserve can be appropriated or reversed if necessary. The appropriation of remaining amount which is proposed by the board of directors and approved by the shareholders in their annual meeting should be distributed in the following order:

1) Set aside 3% to 15% of the remaining amount as employee bonus.
2) Set aside no more than 3% of the remaining amount as directors' and supervisors' remuneration.
3) Set aside the remaining portion as shareholders' bonus.

The employees of the Group who meet the conditions can join the employee bonus plan.

To ensure that the Company has funds for its present and future expansion plans, the Company prefers to distribute mixed stock dividends and cash dividends as shareholders' bonus among which stock dividend is distributed from 0% to 50% and cash dividends from 100% to 50%. The distribution policy would be adjusted depending on the operating conditions, industry developments, capital requirement and so forth.

For the years ended December 31, 2013 and 2012, the accrued bonus payable to employees was $18,000 thousand and $30,000 thousand, respectively, and the accrued remuneration payable to both directors and supervisors were $10,000 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 3% and 15%, respectively, 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 are authorized for issue, the differences are recorded as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the fair value of the shares. The fair value of the shares refer to the closing price (after considering the effect of cash and stock dividends) of the shares on the day immediately preceding the shareholders' meeting.

Based on Rule No. 100116 issued by the Securities and Futures Bureau and Rule No. 0950000507 issued by the Financial Supervisory Commission (FSC), an amount equal to the net debit balance of certain shareholders' equity accounts should be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", on the first-time adoption of IFRSs, a company should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the company's use of exemptions under IFRS 1. However, at the date of transitions to IFRSs, the decrease in retained earnings that resulted from all IFRSs adjustments, so it is not sufficient for this appropriation.

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

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

The appropriations of earnings for 2012 and 2011 had been approved in the shareholders' meetings on June 11, 2013 and June 6, 2012, respectively. The appropriations and dividends per share were as follows:

| | Appropriation of Earnings | | Dividends Per Share (NT$) | |
|---|---|---|---|---|
| | **For Year 2012** | **For Year 2011** | **For Year 2012** | **For Year 2011** |
| Legal reserve | $ 35,404 | $ 34,633 | $ - | $ - |
| Cash dividends | 347,263 | 335,196 | 3.00 | 3.00 |

Bonuses to employees and remuneration to directors and supervisors for 2012 and 2011 approved in the shareholders' meetings on June 11, 2013 and June 6, 2012, respectively, were as follows:

| | 2012 | 2011 |
|---|---|---|
| | **Cash Dividends** | **Cash Dividends** |
| Bonus to employees | $ 30,000 | $ 30,000 |
| Remuneration of directors and supervisors | 10,000 | 10,000 |

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

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings in 2013 and 2012 and the amounts recognized in the financial statements for the years ended December 31, 2012 and 2011.

The appropriations of earnings for 2013 had been proposed by the Company's board of directors on March 13, 2014. The appropriations and dividends per share were as follows:

| | Appropriation of Earnings | Dividends Per Share (NT$) |
|---|---|---|
| Legal reserve | $ 41,710 | $ - |
| Cash dividends | 379,182 | 3.20 |

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2013 are subject to the resolution of the shareholders' meeting to be held on June 4, 2014.

Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange (http://mops.twse.com.tw/mops/web/index).

d. Others equity items

1) Exchange differences on translating foreign operations

| | For the Year Ended December 31 | |
|---|---|---|
| | 2013 | 2012 |
| Balance at January 1 | $ (71,978) | $ 154,485 |
| Exchange differences arising on translating the foreign operations | 264,436 | (226,463) |
| Balance at December 31 | $ 192,458 | $ (71,978) |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2013 | 2012 |
| Balance at January 1 | $ 44,550 | $ 41,265 |
| Unrealized gain arising on revaluation of available-for-sale financial assets | (6,175) | 3,285 |
| Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets | (16,075) | - |
| Balance at December 31 | $ 22,300 | $ 44,550 |

3) Cash flow hedge

| | For the Year Ended December 31 | |
|---|---|---|
| | 2013 | 2012 |
| Balance at January 1 | $ - | $ (641) |
| Gain/(loss) arising on changes in the fair value of hedging instruments | | |
| Cross Currency Swap | - | 641 |
| Balance at December 31 | $ - | $ - |

e. Non-controlling interests

| | For the Year Ended December 31 | |
|---|---|---|
| | 2013 | 2012 |
| Balance at January 1 | $ 454,674 | $ 386,443 |
| Attributable to non-controlling interests: | | |
| Share of profit for the year | 38,742 | (25,596) |
| Exchange difference arising on translation of foreign entities | 31,242 | (16,865) |
| Non-controlling interests increase | 110,624 | 110,692 |
| Balance at December 31 | $ 635,282 | $ 454,674 |

## 26. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations contains the following items:

a. Other revenue and expenses

| | For the Year Ended December 31 | |
|---|---|---|
| | 2013 | 2012 |
| Lease revenue | $ 17,719 | $ 27,690 |
| Lease cost | (5,599) | - |
| Gain (loss) on disposal of property plant and equipment | 10,530 | (1,821) |
| Reverse on impair of property plant and equipment | 7 | 396 |
| | $ 22,657 | $ 26,265 |

b. Finance costs

| | For the Year Ended December 31 | |
|---|---|---|
| | 2013 | 2012 |
| Interest on bank loans | $ 37,447 | $ 42,632 |
| Interest on convertible bonds | 7,102 | 1,789 |
| | $ 44,549 | $ 44,421 |

c. Depreciation and amortization and Employee benefits expense

| | For the Year Ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | | | 2012 | | |
| | Classified as Operating Costs | Classified as Operating Expenses | Total | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Salary | $ 1,650,520 | $ 231,282 | $ 1,881,802 | $ 1,948,472 | $ 235,715 | $ 2,184,187 |
| Insurance | 107,705 | 18,304 | 126,009 | 80,797 | 15,340 | 96,137 |
| Retirement benefit plans | | | | | | |
| Defined contribution plans | 2,407 | 5,154 | 7,561 | 2,560 | 5,102 | 7,662 |
| Defined benefit plans | 358 | 834 | 1,192 | 402 | 859 | 1,261 |
| Others | 76,297 | 14,256 | 90,553 | 102,291 | 19,001 | 121,292 |
| | $ 1,837,287 | $ 269,830 | $ 2,107,117 | $ 2,134,522 | $ 276,017 | $ 2,410,539 |
| Depreciation | $ 721,566 | $ 85,234 | $ 806,800 | $ 661,319 | $ 79,130 | $ 740,449 |
| Amortization | $ 8,327 | $ 6,926 | $ 15,253 | $ 7,428 | $ 6,537 | $ 13,965 |

## 27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | **2013** | **2012** |
| Current tax | | |
| In respect of the current year | $ 70,621 | $ 87,682 |
| Adjustments for prior years' tax | 280 | (879) |
| Deferred tax | | |
| In respect of the current year | 52,174 | 66,297 |
| Others | 2,453 | 805 |
| Income tax expense recognized in profit or loss | $ 125,528 | $ 153,905 |

A reconciliation of accounting income and current income tax expense was as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | **2013** | **2012** |
| Profit before income tax from continuing operations | $ 581,370 | $ 472,800 |
| Income tax expense at the statutory rate | $ 110,728 | $ 60,159 |
| Tax effect of adjusting items: | | |
| Nondeductible expenses and losses | 425 | 6,111 |
| Tax-exempt income | (12,209) | (332) |
| Temporary differences | 23,851 | 88,041 |
| Adjustments for prior years' tax | 280 | (879) |
| Others | 2,453 | 805 |
| Income tax expense recognized in profit or loss | $ 125,528 | $ 153,905 |

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

The Group received the associated entities' dividends under equity method $24,419 thousand and $8,046 thousand and related enterprise income tax paid in Mainland China $2,453 thousand and $805 thousand for the years 2013 and 2012, respectively.

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

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|---|---|---|
| | **2013** | **2012** |
| Deferred tax | | |
| In respect of the current year: | | |
| Translation of foreign operations | $ 54,162 | $ (46,384) |
| Actuarial gains and losses on defined benefit plan | (476) | (919) |
| Total income tax recognized in other comprehensive income | $ 53,686 | $ (47,303) |

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2013

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehen-sive Income | Exchange Differences | Closing Balance |
|---|---|---|---|---|---|
| Deferred tax assets | | | | | |
| Temporary differences | | | | | |
| Property, plant and equipment | $ 21,745 | $ (13,900) | $ - | $ 9,641 | $ 17,486 |
| Intangible assets | 862 | 2,259 | - | 210 | 3,331 |
| Exchange difference on foreign operations | 14,743 | - | (14,743) | - | - |
| Defined benefit obligation | 3,147 | (7) | 476 | - | 3,616 |
| Doubtful debts | 6,072 | (2,427) | - | (207) | 3,438 |
| Unrealized loss of reduce inventory to market | 48,724 | (12,755) | - | (98) | 35,871 |
| Impair loss | 7,155 | (4,076) | - | - | 3,079 |
| Others | 5,451 | 9,761 | - | 74 | 15,286 |
| | $ 107,899 | $ (21,145) | $ (14,267) | $ 9,620 | $ 82,107 |
| Deferred tax liabilities | | | | | |
| Temporary differences | | | | | |
| Unrealized gain or loss investments in associates and joint ventures accounted for by using equity method | $ 176,893 | $ 21,616 | $ - | $ - | $ 198,509 |
| Exchange difference on foreign operations | - | - | 39,419 | - | 39,419 |
| Others | 214 | 9,413 | - | 92 | 9,719 |
| | $ 177,107 | $ 31,029 | $ 39,419 | $ 92 | $ 247,647 |

For the year ended December 31, 2012

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehen-sive Income | Exchange Differences | Closing Balance |
|---|---|---|---|---|---|
| Deferred tax assets | | | | | |
| Temporary differences | | | | | |
| Property, plant and equipment | $ 104,306 | $ (59,560) | $ - | $ (23,001) | $ 21,745 |
| Intangible assets | 1,152 | (248) | - | (42) | 862 |
| Exchange difference on foreign operations | - | - | 14,743 | - | 14,743 |
| Defined benefit obligation | 2,235 | (7) | 919 | - | 3,147 |
| Doubtful debts | 4,230 | 966 | - | 876 | 6,072 |
| Unrealized loss of reduce inventory to market | 47,159 | (1,512) | - | 3,077 | 48,724 |
| Impair loss | 7,710 | (555) | - | - | 7,155 |
| Others | 8,991 | (4,134) | - | 594 | 5,451 |
| | $ 175,783 | $ (65,050) | $ 15,662 | $ (18,496) | $ 107,899 |

(Continued)

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Exchange Differences | Closing Balance |
|---|---|---|---|---|---|
| Deferred tax liabilities | | | | | |
| Temporary differences | | | | | |
| Unrealized gain or loss investments in associates and joint ventures accounted for by using equity method | $ 175,029 | $ 1,864 | $ - | $ - | $ 176,893 |
| Exchange difference on foreign operations | 31,641 | - | (31,641) | - | - |
| Others | 831 | (617) | - | - | 214 |
| | $ 207,501 | $ 1,247 | $ (31,641) | $ - | $ 177,107 |

(Concluded)

d. Deductible temporary differences, unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Loss carryforwards | | | |
| Expire in 2013 | $ - | $ 82,361 | $ 88,107 |
| Expire in 2014 to 2018 | 1,055,153 | 861,494 | 436,506 |
| | $ 1,055,153 | $ 943,855 | $ 524,613 |
| Deductible temporary differences | $ 380,632 | $ 318,116 | $ 48,567 |

e. Integrated income tax

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Unappropriated earnings generated before January 1, 1998 | $ 981 | $ 981 | $ 981 |
| Unappropriated earnings generated on and after January 1, 1998 | 1,496,359 | 1,464,251 | 1,494,077 |
| | $ 1,497,340 | $ 1,465,232 | $ 1,495,058 |
| Imputation credits accounts | $ 359,922 | $ 419,785 | $ 412,394 |

The creditable ratios for the distribution of earnings of 2013 and 2012 were 25.84% (estimate) and 29.89%, respectively.

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

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

The Company and Soartek Optoelectronics Technology Co., Ltd. tax returns through 2011 had been assessed by the tax authorities.

## 28. EARNINGS PER SHARE

a. Basic earnings per share

**Unit: NT$ Per Share**

| | For the Year Ended December 31 | |
|---|---|---|
| | **2013** | **2012** |
| Profits attributable to owners of the Company | $ 417,100 | $ 344,491 |
| The weighted average number of ordinary shares outstanding in the computation of basic earnings per share (in thousands) | 116,876 | 111,916 |
| Basic earnings per share | $ 3.57 | $ 3.08 |

b. Diluted earnings per share

| | For the Year Ended December 31 | |
|---|---|---|
| | **2013** | **2012** |
| Profit for the period attributable to owners of the Company | $ 417,100 | $ 344,491 |
| The effects of potential common stocks: | | |
| Income after tax of convertible bonds | 5,895 | - |
| Earnings used in the computation of diluted earnings per share from continuing operations | $ 422,995 | $ 344,491 |
| Weighted average number of ordinary shares (in thousand shares) | | |
| The effects of potential common stocks: | 116,876 | 111,916 |
| Convertible bonds (in thousand shares) | 6,611 | - |
| Bonus issue to employees (in thousand shares) | 582 | 841 |
| Employee share option (in thousand shares) | 433 | 391 |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share (in thousand shares) | 124,502 | 113,148 |
| Diluted earnings per share (NT$) | $ 3.40 | $ 3.04 |

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

## 29. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Company/subsidiaries

Qualified employees of the Company and its subsidiaries were granted 5,000 options (forfeited 1,141 options) in August 2007 and 660 options (forfeited 57 options) in October 2007. Each option entitles the holder to subscribe for one thousand common shares of the Company. The options granted are valid for 8 years and exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the equity certified by CPA. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| **Employee Share Option** | **Number of Options (In Thousands)** | **Weighted-average Exercise Price (NT$)** | **Number of Options (In Thousands)** | **Weighted-average Exercise Price (NT$)** |
| Balance at January 1 | 1,522 | | 2,848 | |
| Options exercised | (678) | $39.9 | (1,267) | $39.9 |
| Options expired | (37) | | (59) | |
| Balance at December 31 | 807 | | 1,522 | |
| Options exercisable, end of period | 807 | | 685 | |

Information about outstanding options as of December 31, 2013 and 2012 was as follows:

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Range of exercise price (NT$) | $39.9 | $39.9 | $39.9 |
| Weighted-average remaining contractual life (years) | 1.58 years | 2.58 years | 3.58 years |
| Weighted-average remaining contractual life (years) | 1.75 years | 2.75 years | 3.75 years |

Options granted in August 2007 and October 2007 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

| | August 2007 | October 2007 |
|---|---|---|
| Grant-date share price ($) | $41.55 | $41.55 |
| Exercise price ($) | 41.6 | 41.6 |
| Expected volatility | 43.61% | 44.12% |
| Expected life (years) | 6 years | 6 years |
| Expected dividend yield | 9.63% | 9.63% |
| Risk-free interest rate | 2.30% | 2.63% |

## 30. NON-CASH TRANSACTIONS

As of December 31, 2013 and 2012, the Group reclassified long-term borrowings of $274,025 thousand and $565,000 thousand as current portion of long-term borrowings.

Calin Technology Co., Ltd. had been listed in TWSE in November 2012, so the Group reclassified it as available-for-sale finance assets (Note 8).

## 31. OPERATING LEASE ARRANGEMENTS

**The Group as Lessee**

a. Rental agreement

| Lessee | Lesser | Objection | Period and Method of Payment |
|---|---|---|---|
| Sinxon Plastic (DongGuan) Ltd. | Changan town of Dongguan City, Wu Sha | Plant and dormitory | From December 1, 2013 to November 30, 2018, rent is RMB205 thousand every month. |
| | Jiang Bei Economic Cooperatives | | From December 1, 2013 to November 30, 2018, rent is RMB128 thousand every month. |
| | | | From December 1, 2013 to November 30, 2018, rent is RMB45 thousand every month. |
| Sun Can International Ltd. | Changan town of Dongguan City, Wu Sha | Plant and dormitory | From December 1, 2013 to November 30, 2018, rent is RMB392 thousand every month. |
| | Jiang Bei Economic Cooperatives | | From June 1, 2009 to May 31, 2014, rent is RMB29 thousand every month. |
| | Lan, Chih-Hsing | Dormitory | From April 1, 2008 to April 1, 2016, rent is RMB165 thousand every month. |
| | Huang, Chien- Yi | Dormitory | From June 28, 2009 to May 31, 2019, rent is RMB226 thousand every month. |
| Coxon Industry Ltd. | Hong Kong Hung Kei Industrial Development Co., Ltd | Plant and dormitory | From November 1, 2004 to October 30, 2014 rent is RMB493 thousand every month. |
| | Hong Kong Jinchuang Industrial Co., Ltd | Plant and dormitory | From May 1, 2008 to March 20, 2018 rent is RMB917 thousand every month. |

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

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Not later than 1 year | $ 145,841 | $ 142,547 | $ 153,917 |
| Later than 1 year and not later than 5 years | 403,463 | 301,701 | 406,068 |
| Later than 5 years | 5,021 | 28,424 | 89,518 |
| | $ 554,325 | $ 472,672 | $ 649,503 |

## 32. CAPITAL MANAGEMENT

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

The Company adopts prudent risk management strategy and performs audit on a regular basis. The capital structure of the Company is determined according to the business development strategies and operational requirements.

The financial ratio and net value compliance with the syndicated loan between the Group and banks are disclosed in Note 19.

## 33. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Financial instruments not carried at fair value

Financial assets and liabilities not carried at fair value that differences between carrying amounts and fair values were as follow:

| | **December 31, 2013** | | **December 31, 2012** | | **January 1, 2012** | |
|---|---|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| Financial liabilities | | | | | | |
| Financial liabilities measured at amortized cost - convertible bonds | $ 277,213 | $ 319,291 | $ 541,169 | $ 654,180 | $ - | $ - |

2) Fair value measurements recognized in the consolidated balance sheet

The Company measured financial assets and financial liabilities 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 ROC | | | | |
| Equity securities | $ 28,700 | $ - | $ - | $ 28,700 |
| Financial liabilities at FVTPL | | | | |
| Other derivatives | - | - | 3,394 | 3,394 |
| Other | - | - | 3,805 | 3,805 |

| | December 31, 2012 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Available-for-sale financial assets | | | | |
| Securities listed in ROC | | | | |
| Equity securities | $ 54,150 | $ - | $ - | $ 54,150 |
| Financial liabilities at FVTPL | | | | |
| Other | - | - | 5,220 | 5,220 |

| | January 1, 2012 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Available-for-sale financial assets | | | | |
| Securities listed in ROC | | | | |
| Equity securities | $ - | $ - | $ 50,865 | $ 50,865 |
| Financial assets at FVTPL | | | | |
| Other | - | 5,028 | - | 5,028 |
| Derivative financial assets for hedging | - | 5,564 | - | 5,564 |

There were no transfers between Levels 1 and 2 in the current and prior periods.

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

For the year ended December 31, 2013

| | Financial Liabilities at Fair Value Through Profit or Loss |
|---|---|
| Balance at January 1, 2013 | $ (5,220) |
| Total gains or losses | |
| In profit or loss | (3,219) |
| Conversion of convertible bonds | 1,240 |
| Balance at December 31, 2013 | $ (7,199) |

For the year ended December 31, 2012

| | Available-for-sale Financial Assets |
|---|---|
| Balance at January 1, 2012 | $ 50,865 |
| Total gains or losses | |
| In other comprehensive income | 3,285 |
| Transfers out of level 3 | (54,150) |
| Balance at December 31, 2012 | $ - |

The total gains or losses for the years ended December 31, 2013 and 2012 included a loss of $3,219 thousand and $0 thousand relating to assets measured at fair value on Level 3 fair value measurement and held at the end of reporting date.

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

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

- The fair values of financial instruments with standard terms and conditions and traded on active and liquid markets are determined with reference to quoted market prices.

- 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, and option pricing models for optional derivatives.

- The fair values of other financial instruments (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

b. Categories of financial instruments

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Financial assets | | | |
| Fair value through profit or loss - held for trading | $ - | $ - | $ 5,028 |
| Derivative instruments in designated hedge accounting relationship | - | - | 5,564 |
| Loans and receivables (1) | 4,662,367 | 4,403,794 | 4,209,320 |
| Available-for-sale financial assets (2) | 28,700 | 54,150 | 50,865 |
| Financial liabilities | | | |
| Fair value through profit or loss (FVTPL) | | | |
| Held for trading | 3,394 | - | - |
| Others | 3,805 | 5,220 | - |
| Amortized cost (3) | 3,917,349 | 4,831,201 | 4,130,385 |

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, and trade and other receivables.

Note 2: The balances included the carrying amount of available-for-sale financial assets measured at cost.

Note 3: The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, short-term bills payable, trade and other payables, and bonds payable issued.

c. Financial risk management objectives and policies

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis.

1) Market risk

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

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

a) Foreign currency risk

The Group use foreign exchange forward contracts to eliminate currency exposure in foreign currency risk. The change of rate eliminated by the profit and loss of the terms of the hedge derivatives so the market price risk is not martial.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be a decrease of $15,132 thousand and $11,814 thousand for the years ended December 31, 2013 and 2102 in post-tax income.

b) Interest rate risk

The Group was exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. The bonds payable are fixed-rate and measured at amortized cost, so changes in rate will not have effect on the cash flow in the future.

The sensitivity analysis assumed hold the bank borrowings in the reporting period and 1% change in rates it would be a decrease of $13,764 thousand and $16,715 thousand for the years ended December 31, 2013 and 2102 in post-tax income.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. The Group manages this exposure by maintaining a portfolio of investments with different risks.

Assumed the listed equity securities in the reporting period and 5% change in price it would be a decrease of $1,435 thousand and $2,708 thousand for the years ended December 31, 2013 and 2102 in comprehensive income.

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 of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from The carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

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.

For the ended December 31, 2013, December 31, 2102 and January 1, 2012 the unused bank borrowings is $3,541,671 thousand, $2,186,180 thousand and $2,210,958 thousand.

The tables below 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 include both interest and principal cash flows.

December 31, 2013

| | Up to 1 Year | Later Than 1 Year and Up to 2 Years | Later Than 2 Years and Up to 3 Years | Over 3 Years | Total |
|---|---|---|---|---|---|
| Nonderivative financial liabilities | | | | | |
| Notes payable | $ 1,635 | $ - | $ - | $ - | $ 1,635 |
| Trade payables | 907,377 | 552 | 889 | 48 | 908,866 |
| Other payables | 1,014,548 | 76,816 | 7,345 | 460 | 1,099,169 |
| Bank borrowing | 423,050 | 1,035,279 | 200,000 | - | 1,658,329 |
| Bonds payable | - | - | - | 277,213 | 277,213 |
| | $ 2,346,610 | $ 1,112,647 | $ 208,234 | $ 277,721 | $ 3,945,212 |

December 31, 2012

| | Up to 1 Year | Later Than 1 Year and Up to 2 Years | Later Than 2 Years and Up to 3 Years | Over 3 Years | Total |
|---|---|---|---|---|---|
| Nonderivative financial liabilities | | | | | |
| Notes payable | $ 2,185 | $ - | $ - | $ - | $ 2,185 |
| Trade payables | 991,718 | 31 | 951 | - | 992,700 |
| Other payables | 1,241,118 | 53,488 | 17,642 | - | 1,312,248 |
| Bank borrowing | 726,172 | 1,287,648 | - | - | 2,013,820 |
| Bonds payable | - | - | - | 541,169 | 541,169 |
| | $ 2,961,193 | $ 1,341,167 | $ 18,593 | $ 541,169 | $ 4,862,122 |

January 1, 2012

| | Up to 1 Year | Later Than 1 Year and Up to 2 Years | Later Than 2 Years and Up to 3 Years | Over 3 Years | Total |
|---|---|---|---|---|---|
| Nonderivative financial liabilities | | | | | |
| Notes payable | $ 5,058 | $ - | $ - | $ - | $ 5,058 |
| Trade payables | 944,424 | 47 | - | - | 944,471 |
| Other payables | 1,133,951 | 241,327 | 12,813 | - | 1,388,091 |
| Bank borrowing | 1,401,356 | - | 598,686 | - | 2,000,042 |
| | $ 3,484,789 | $ 241,374 | $ 611,499 | $ - | $ 4,337,662 |

The above other payable including payment on equipment - current and non-current are disclosed in Note 22.

## 34. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which were related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and related parties are disclosed below.

a. Trading transactions

| | Sales of Goods For the Year Ended December 31 2013 | Sales of Goods For the Year Ended December 31 2012 |
|---|---|---|
| Associates | $ 4,728 | $ - |
| Others | 341,552 | 34,055 |
| | $ 346,280 | $ 34,055 |

| | Purchases of Goods For the Year Ended December 31 2013 | Purchases of Goods For the Year Ended December 31 2012 |
|---|---|---|
| Others | $ 56,020 | $ 1,647 |

The balances of related assets and liabilities at the end of the reporting period were as follows:

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Trade receivables | | | |
| Associates | $ 5,771 | $ - | $ - |
| Others | 179,854 | 27,901 | - |
| | $ 185,625 | $ 27,901 | $ - |
| Other receivables | | | |
| Associates | $ 4,999 | $ - | $ - |
| Others | 2,146 | 7,437 | 12,069 |
| | $ 7,145 | $ 7,437 | $ 12,069 |
| Trade payables | | | |
| Others | $ 46,614 | $ 14,288 | $ 10,496 |
| Other payable | | | |
| Others | $ 19,185 | $ 8,698 | $ 3,704 |
| Payable on equipment | | | |
| Others | $ - | $ 4,305 | $ - |
| Other liabilities - current | | | |
| Associates | $ - | $ - | $ 1,016 |
| Others | - | 86 | 89 |
| | $ - | $ 86 | $ 1,105 |

b. Other transactions with related parties

| | For the Year Ended December 31 | |
|---|---|---|
| | 2013 | 2012 |
| Others revenue | | |
| Associates | $ - | $ 990 |
| Others | 17 | - |
| | $ 17 | $ 990 |
| Processing fee | | |
| Others | $ 17,631 | $ 25,360 |
| Rental expense | | |
| Others | $ 4,217 | $ 1,309 |
| Others expense | | |
| Others | $ 16,880 | $ 5,928 |

c. Rental revenue

| | | | For the Year Ended December 31 | |
|---|---|---|---|---|
| **Rental Revenue** | **Rental Objective** | **Rental Payment** | **2013** | **2012** |
| Associates | Jiangsu Province Southeast Economic Development Zone 28 Jiulong Road | Plant and dormitory rent paid every month | $ 5,869 | $ - |

d. Property, plant and equipment acquired

| | | For the Year Ended December 31 | |
|---|---|---|---|
| | **Object of Transaction** | **2013** | **2012** |
| Others | Equipment | $ - | $ 3,699 |

e. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2013 and 2012 were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2013 | 2012 |
| Short-term benefits | $ 66,475 | $ 64,960 |
| Post-employment benefits | 1,841 | 1,807 |
| Share-base payment | 5,205 | 6,965 |
| | $ 73,521 | $ 73,732 |

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

Coxon Precise Industrial Co., Ltd. signed a contract to buy 42.12% of common shares of Cheng Yee Enterprise Ltd. (Samoa) with Zhao Xuan Enterprise Co., Ltd. (Samoa). The value per share is based on net asset value per share of latest financial statements of Cheng Yee Enterprise Ltd. (Samoa). As of December 31, 2013, the Company had bought 22.12% of Cheng Yee's common shares, total holding percentage up to 80%.

## 35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, the tariff of imported raw materials guarantees or the deposit for court guarantees:

| | December 31, 2013 | December 31, 2012 | January 1, 2012 |
|---|---|---|---|
| Property, plant and equipment - land | $ 79,244 | $ 79,244 | $ 79,244 |
| Property, plant and equipment - buildings | 45,288 | 46,585 | 459,205 |
| Prepaid lease payments | 20,498 | 20,420 | 22,335 |
| Other financial assets - current | 58,950 | 4,580 | 44,222 |
| | $ 203,980 | $ 150,829 | $ 605,006 |

## 36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

a. Coxon Industry Ltd. (Samoa) had commitments to buy machinery and equipment which amounted to $57,378 thousand, of which $39,611 thousand had been paid and booked under prepayment on equipment.

b. Sun Can International Ltd. (Samoa) had commitments to buy machinery and equipment and to comply with repair construction contracts which amounted to $35,611 thousand, of which $18,176 thousand had been paid and booked under prepayment on equipment.

c. Cheng Da Industry Ltd. (Samoa) had commitments to buy machinery and equipment which amounted to $8,989 thousand, of which $4,548 thousand had been paid and booked under prepayment on equipment.

d. Coxon Industry (Changshu) Co., Ltd. had controversy with Kunshan Ya-Chun Trading Co., Ltd. in 2011 in which Ya-Chun Company claims RMB2,200 thousand as compensation. The lawsuit is not judged yet. In the lawyer's opinion, the Yu-Chun Company's probability of winning is small. The Company thinks this litigation would not have a significant impact on the operation.

e. The digital camera lawsuit between JCD Corporation (hereinafter referred to as "JCD") and the Company is summarized as below.

    1) Lawsuit matters: JCD applied to the Japan commercial arbitration association for a tort arbitration in relation to its forbidding of the Company from producing and selling the digital camera lens designed by JCD as well as its demand for payment of US$2,662 thousand, JPY635 thousand and RMB393 thousand as compensation in 2010.

2) Lawsuit status up to report date: According to the verdict of the Japan commercial arbitration association, Tokyo No. 10-11 is summarized as below.

   a) The Company (the defendant) should pay JCD US$1,441 thousand, JPY1,270 thousand and the related accrued interests from November 24, 2010 up to the date when total compensation is made using 6% annual interest rate.

   b) The Company cannot manufacture and sell the suspended category of digital camera zooms.

   c) The Company needs to pay JCD lawsuit cost JPY1,562 thousand.

According to the verdict above, the Company needed to pay NT$44,738 thousand (lawsuit compensation US$1,441 thousand and JPY1,270 thousand; lawsuit cost JPY1,562 thousand) and had accrued the amount as loss in 2011.

However, the Company was still in doubt about the content of arbitration verdict because there is no clear contract definition whether the argument between both sides can be solved through arbitration, and the Company had made an appeal for the revocation of the arbitration award. The Company applied for revocation of arbitration verdict as of February 6, 2012, which is rejected by Tokyo District Court in July 2012; the Company made an appeal to Tokyo High Court in August 2013, and rejected by Tokyo High Court in October 2012. Later on, the Company received message from Taoyuan District Court about JCD's application for agreement to foreign arbitration verdict in March 2013; the appeal was admitted by Taoyuan District Court in July 2013; the Company had made an appeal for the revocation of the arbitration award on August 2, 2013. The appeal was dismissed by Taoyuan District Court on October 4, 2013; the Company had made an appeal for the revocation of the arbitration award on October 24, 2013 and the actual result is still pending as of the report date.

Upon the motion of JCD, the Taoyuan District Court ordered the freezing of the Company's bank deposits of NT$86,031 thousand and the attachment of plant of NT$124,856 thousand in Jungli Taiwan during the appeal processing period. The Company issued petition to Taoyuan District Court to stop the freezing of the Company's bank deposits of NT$86,031 thousand and the attachment of plant of NT$124,856 thousand on October 17, 2013 and the freezing of the amount in excess of the total loss accrued NT$44,438 thousand on October 18, 2013 to prevent non-recovery of total compensation, cost of lawsuit and interest, in case of finally winning the lawsuit. The Company received the order to stop the freezing of deposit and attachment of plant from the Taoyuan District Court on October 31, 2103 and provided NT$3,900 thousand time deposit as guarantee fund instead and received the notice for cancelation of the freeze order on the additional deposit in excess of the NT$44,738 thousand loss accrued from the Taoyuan District Court on November 11, 2013.

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

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

December 31, 2013

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 90,374 | 29.805 | $ 2,693,597 |
| JPY | 61,150 | 0.2839 | 17,360 |

(Continued)

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|---|---|---|---|
| HKD | $ 29,419 | 3.843 | $ 113,057 |
| RMB | 39,813 | 4.919 | 195,840 |
| | | | $ 3,019,854 |
| Investment accounted for using equity method | | | |
| RMB | 72,796 | 4.919 | $ 358,082 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 18,714 | 29.805 | $ 557,771 |
| JPY | 584,377 | 0.2839 | 165,905 |
| HKD | 21,163 | 3.843 | 81,329 |
| RMB | 79,630 | 4.919 | 391,700 |
| | | | $ 1,196,705 |

(Concluded)

December 31, 2012

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 95,966 | 29.04 | $ 2,786,853 |
| JPY | 55,041 | 0.3364 | 18,516 |
| HKD | 23,582 | 3.747 | 88,362 |
| RMB | 75,231 | 4.66 | 350,576 |
| | | | $ 3,244,307 |
| Investment accounted for using equity method | | | |
| RMB | 74,092 | 4.66 | $ 345,268 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 21,848 | 29.04 | $ 634,466 |
| JPY | 1,079,021 | 0.3364 | 362,983 |
| HKD | 38,117 | 3.747 | 142,824 |
| RMB | 146,055 | 4.66 | 680,616 |
| | | | $ 1,820,889 |

January 1, 2012

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 84,345 | 30.275 | $ 2,553,545 |
| JPY | 58,891 | 0.3906 | 23,003 |
| HKD | 20,043 | 3.897 | 78,108 |
| RMB | 61,618 | 4.807 | 296,198 |
| | | | $ 2,950,854 |
| Investment accounted for using equity method | | | |
| RMB | 57,418 | 4.807 | $ 276,008 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 45,413 | 30.275 | $ 1,374,879 |
| JPY | 1,306,340 | 0.3906 | 510,256 |
| HKD | 22,772 | 3.897 | 88,742 |
| RMB | 148,086 | 4.807 | 711,849 |
| | | | $ 2,685,726 |

## 38. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

a. Lending funds to others: Table 5 (attached)

b. Providing endorsements or guarantees for others: Table 1 (attached)

c. Holding of securities at the end of the period (excluding investment in subsidiaries, associates and joint controlled entities): Table 2 (attached)

d. Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more: None

e. Acquisition of real estate reaching NT$300 million or 20 percent of paid-in capital or more: None

f. Disposal of real estate reaching NT$300 million or 20 percent of paid-in capital or more: None

g. Purchase or sales of goods from or to related parties reaching NT$100 million or 20 percent of paid-in capital or more: Tables 3 and 6 (attached)

h. Trade receivables from related parties reaching NT$100 million or 20 percent of paid-in capital or more: Table 7 (attached)

i. Trading in derivative instruments: Tables 7 and 9 (attached)

j. Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them: Table 9 (attached)

k. Information on investees: Table 4 (attached)

Information on investments in Mainland China:

a. Information on any investee company in Mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the Mainland China area: Table 8 (attached)

b. Any of the following significant transactions with investee companies in Mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: Table 8 (attached)

    1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

    2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

    3) The amount of property transactions and the amount of the resultant gains or losses.

    4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

    5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

    6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

## 39. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group’s reportable segments under IFRS 8 “Operating Segments” were as follows:

- Taiwan and South China
- South China
- Shanghai
- Changshu
- Others

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

| | For the Year Ended December 31, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Taiwan and South China | South China | Shanghai | Changshu | Others | Adjustments and Elimination | Total |
| Segment revenues and results | | | | | | | |
| Revenues from external customers | $ 5,343,286 | $ 704,685 | $ 668,196 | $ 1,003,792 | $ 336,987 | $ - | $ 8,056,946 |
| Inter-segment revenues | 3,045,583 | 8,262 | 27,324 | 16,005 | 14,774 | (3,111,948) | - |
| Segment revenues | $ 8,388,869 | $ 712,947 | $ 695,520 | $ 1,019,797 | $ 351,761 | $ (3,111,948) | $ 8,056,946 |
| Segment income | $ 427,769 | $ 135,781 | $ (20,176) | $ (18,493) | $ 65,152 | $ (1,392) | $ 588,641 |
| Interest income | | | | | | | 11,788 |
| Other income | | | | | | | 102,426 |
| Interest expense | | | | | | | (44,549) |
| Other expense and loss | | | | | | | (76,936) |
| Income from continuing operating before income tax | | | | | | | $ 581,370 |
| Segment assets | | | | | | | |
| Assets | $ 6,301,097 | $ 731,015 | $ 1,107,467 | $ 2,617,930 | $ 962,591 | $ (1,057,929) | $ 10,662,171 |
| Investments | | | | | | | 414,427 |
| Deferred income tax assets | | | | | | | 82,107 |
| Total assets | | | | | | | $ 11,158,705 |
| Depreciation and amortization | $ 502,132 | $ 46,065 | $ 92,792 | $ 148,182 | $ 32,882 | | $ 822,053 |
| Acquisition of property, plant and equipment | $ 339,178 | $ 1,037 | $ 9,566 | $ 66,674 | $ 13,472 | | $ 429,927 |

| | For the Year Ended December 31, 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Taiwan and South China | South China | Shanghai | Changshu | Others | Adjustments and Elimination | Total |
| Segment revenues and results | | | | | | | |
| Revenues from external customers | $ 6,207,035 | $ 455,316 | $ 785,891 | $ 1,017,885 | $ 68,666 | $ - | $ 8,534,793 |
| Inter-segment revenues | 3,440,384 | 26 | 48,085 | 6,749 | 23 | (3,495,267) | - |
| Segment revenues | $ 9,647,419 | $ 455,342 | $ 833,976 | $ 1,024,634 | $ 68,689 | $ (3,495,267) | $ 8,534,793 |
| Segment income | $ 534,463 | $ 65,516 | $ (41,017) | $ (108,934) | $ (22,930) | $ 21,536 | $ 448,634 |
| Interest income | | | | | | | 4,869 |
| Other income | | | | | | | 79,173 |
| Interest expense | | | | | | | (44,421) |
| Other expense and loss | | | | | | | (15,455) |
| Income from continuing operating before income tax | | | | | | | $ 472,800 |
| Segment assets | | | | | | | |
| Assets | $ 7,097,705 | $ 508,730 | $ 1,186,111 | $ 2,488,379 | $ 893,123 | $ (1,506,745) | $ 10,667,303 |
| Investments | | | | | | | 401,613 |
| Deferred income tax assets | | | | | | | 107,899 |
| Total assets | | | | | | | $ 11,176,815 |
| Depreciation and amortization | $ 400,314 | $ 66,136 | $ 101,804 | $ 164,884 | $ 21,276 | | $ 754,414 |
| Acquisition of property, plant and equipment | $ 419,348 | $ 762 | $ 38,912 | $ 36,407 | $ 197,766 | | $ 693,195 |

Segment profit represented the profit before tax earned by each segment without share of profits of associates, interest income, gain or loss on disposal of property, plant and equipment, exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. 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 |
| Plastic components | $ 7,338,038 | $ 7,467,549 |
| Molds | 618,068 | 864,727 |
| Others | 100,840 | 202,517 |
| | $ 8,056,946 | $ 8,534,793 |

c. Geographical information

The Group operates in three principal geographical areas - Taiwan, China and Japan.

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 | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | December 31, 2013 | December 31, 2012 | January 1, 2012 |
| Taiwan | $ 682,910 | $ 1,698,778 | $ 157,528 | $ 177,277 | $ 188,112 |
| China | 5,894,403 | 5,499,910 | 5,116,742 | 5,147,155 | 4,971,362 |
| Japan | 377,789 | 576,049 | - | - | - |
| Others | 1,101,844 | 760,056 | - | - | - |
| | $ 8,056,946 | $ 8,534,793 | $ 5,274,270 | $ 5,324,432 | $ 5,159,474 |

Non-current assets exclude non-current assets classified as held for sale, and exclude financial instruments, deferred tax assets.

d. Information about major customers

Individual customers accounting for at least 10% of net sales for the years ended December 31, 2013 and 2012 were as follows:

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| **Customer** | **Amount** | **% to Total** | **Amount** | **% to Total** |
| Customer A | $ 329,295 | 4 | $ 432,588 | 5 |
| Customer B | 49,219 | - | 336,517 | 4 |
| Customer C | 930,597 | 12 | - | - |
| | $ 1,309,111 | 16 | $ 769,105 | 9 |

## 40. FIRST-TIME ADOPTION OF IFRSs

### Basic of the Preparation for Financial Information under 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 apply the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

### Impact on the Transition to IFRSs

a. After transition to IFRSs, the effect on the Group's consolidated balance sheets and consolidated statements of comprehensive income is stated as follows:

1) Reconciliation of the consolidated balance sheet as of January 1, 2012

| Items | ROC GAAP | Adjustments | IFRSs | Note |
|---|---|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | $ 1,809,415 | $ (184,210) | $ 1,625,205 | 5) n) |
| Available-for-sale financial assets - current | - | 50,865 | 50,865 | 5) m) |
| Other financial assets - current | 44,222 | 184,210 | 228,432 | 5) n) |
| Prepayments | 57,674 | 42,459 | 100,133 | 5) f) and g) |
| Deferred tax assets - current | 59,595 | (59,595) | - | 5) a) |
| Financial assets measured at cost | 76,075 | (9,600) | 66,475 | 5) m) |
| Property, plant and equipment | 5,005,334 | (131,934) | 4,873,400 | 5) f), g), h) and k) |
| Land use right | 65,510 | (65,510) | - | 5) i) |
| Intangible assets | 25,071 | 10,864 | 35,935 | 5) f) and g) |
| Prepayment on equipment | - | 170,734 | 170,734 | 5) h) |
| Deferred charges | 69,230 | (69,230) | - | 5) g) |
| Deferred income tax assets - non current | 105,412 | 70,371 | 175,783 | 5) a) and c) |
| Lease prepayment | - | 67,365 | 67,365 | 5) f) and i) |
| Liabilities | | | | |
| Accrued expense | 829,683 | (829,683) | - | 5) j) |
| Other payable | 18,394 | 829,683 | 848,077 | 5) j) |
| Provision for employee benefit plan - current | - | 16,669 | 16,669 | 5) b) |
| Deferred tax liabilities - non-current | 197,967 | 9,534 | 207,501 | 5) a) |
| Accrued pension cost | 5,875 | 7,276 | 13,151 | 5) c) |
| Shareholders' equity | | | | |
| Capital surplus | 2,241,046 | 45,373 | 2,286,419 | 5) d) and e) |
| Unrealized gain or loss on financial assets | - | 41,265 | 41,265 | 5) m) |
| Unappropriated earnings | 1,538,386 | (43,328) | 1,495,058 | 5) b), c), d), e) and f) |

2) Reconciliation of the consolidated balance sheet as of December 31, 2012

| Items | ROC GAAP | Adjustments | IFRSs | Note |
|---|---|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | $ 1,700,188 | $ (64,082) | $ 1,636,106 | 5) n) |
| Other financial assets | 4,580 | 64,082 | 68,662 | 5) n) |
| Prepayments | 75,769 | 69,004 | 144,773 | 5) f) and g) |
| Deferred tax assets - current | 60,032 | (60,032) | - | 5) a) |
| Property, plant and equipment | 5,191,336 | (147,632) | 5,043,704 | 5) f), g), h) and k) |
| Deferred tax assets - current | 697 | (697) | - | 5) c) |
| Land use right | 60,982 | (60,982) | - | 5) i) |
| Intangible assets | 22,400 | 7,634 | 30,034 | 5) f) and g) |
| Prepayment on equipment | - | 176,979 | 176,979 | 5) h) |

(Continued)

| Items | ROC GAAP | Adjustments | IFRSs | Note |
|---|---|---|---|---|
| Deferred charges | $ 87,044 | $ (87,044) | $ - | 5) g) |
| Deferred tax assets - non-current | 22,607 | 85,292 | 107,899 | 5) a) and c) |
| Lease prepayment | - | 62,743 | 62,743 | 5) f) and i) |
| Liabilities | | | | |
| Accrued expense | 879,423 | (879,423) | - | 5) j) |
| Other payable | 8,049 | 879,423 | 887,472 | 5) j) |
| Provision for employee benefit plan - current | - | 16,299 | 16,299 | 5) b) |
| Deferred tax liabilities - non-current | 153,785 | 23,322 | 177,107 | 5) a) |
| Accrued pension cost | 7,838 | 10,674 | 18,512 | 5) c) |
| Shareholders' equity | | | | |
| Capital surplus | 2,328,069 | 52,338 | 2,380,407 | 5) d)and e) |
| Unappropriated earnings | 1,522,600 | (57,368) | 1,465,232 | 5) b), c), d), e) and f) |

(Concluded)

3) Reconciliation of the consolidated statement of comprehensive income for the year ended December 31, 2012

| Items | ROC GAAP | Adjustments | IFRSs | Note |
|---|---|---|---|---|
| Operating revenue | $ 8,534,793 | $ - | $ 8,534,793 | |
| Operating cost | (7,466,124) | 789 | (7,465,335) | 5) b) and c) |
| Operating profits | 1,068,669 | 789 | 1,069,458 | |
| Operating expenses | (684,806) | (10,118) | (694,924) | 5) c), d) and f) |
| Other operating profits and expenses | - | 26,265 | 26,265 | 5) l) |
| Operating income | 383,863 | 16,936 | 400,799 | |
| Nonoperating income and gains | 98,266 | (26,265) | 72,001 | 5) l) |
| Income before income tax | 482,129 | (9,329) | 472,800 | |
| Income tax expense | (153,682) | (223) | (153,905) | 5) c) |
| Net income | $ 328,447 | $ (9,552) | 318,895 | |
| Other comprehensive income | | | | |
| Exchange differences on translating foreign operations | | | (289,712) | |
| Unrealized gain or loss on financial assets | | | 3,285 | 5) m) |
| Cash flow hedge | | | 641 | |
| Defined benefit plans actuarial losses | | | (5,407) | 5) c) |
| Income tax relating to components of other comprehensive income | | | 47,303 | 5) c) |
| | | | (243,890) | |
| | | | $ 75,005 | |

4) Exemptions from IFRS 1

IFRS 1 establishes the procedures for the Group's first consolidated financial statements prepared in accordance with IFRSs. According to IFRS 1, the Group is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to 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:

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 one under ROC GAAP as of December 31, 2011.

The exemption of not elected to apply IFRS 3 "Business Combinations" also applied to investments in associates acquired in the past

Share-based payment transactions

The Group elected to take the optional exemption from applying IFRS 2 "Share-based Payment" retrospectively for the shared-based payment transactions granted and vested before the date of transition.

Deemed cost

For certain freehold lands, the Group elected to use the ROC GAAP revalued amount at the date of transition to IFRSs as their deemed cost under IFRSs. For certain investment properties with sufficient evidence that those properties are continuously being rented out and can generate a stable cash flow in the medium or long-term, the Group elected to use their fair value at the date of transition as their deemed cost. For other certain investment properties, the ROC GAAP revaluated amount at the date of the transition was used as their deemed cost under IFRSs. All other property, plant and equipment, investment properties and intangible assets applied IFRSs retrospectively.

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 disclosure requirement provided by IFRS 1, in which the experience adjustments are determined for each accounting period prospectively from the transition date.

The effect of the abovementioned optional exemptions elected by the Group was stated in the following Note 5 - explanations of significant reconciling items in the transition to IFRSs.

5) Explanations of significant reconciling items in the transition to IFRSs

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

a) Classifications of deferred tax assets/liabilities and valuation allowance

Under ROC GAAP, a deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or noncurrent based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as noncurrent asset or liability.

In addition, under ROC GAAP, valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. In accordance with IAS No. 12, "Income Taxes," deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from deferred income tax assets to noncurrent assets were $60,032 thousand and $59,595 thousand, respectively.

In addition, the same taxable entity offsets its current deferred tax assets and liabilities under ROC GAAP, and non-current deferred tax assets and liabilities likewise.

Under IFRSs, an entity shall offset deferred tax assets and deferred tax liabilities if, and only if:

i. The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

ii. The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

i) The same taxable entity; or

ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

As of December 31, 2012 and January 1, 2012, deferred tax assets and liabilities that did not meet the criteria to be offset were adjusted by $23,322 thousand and $9,534 thousand, respectively.

b) Employee benefits - accumulated compensated absences

Accumulated compensated absences are not addressed in existing ROC GAAP; thus, the Company has not recognized the expected cost of employee benefits in the form of accumulated compensated absences at the end of reporting periods. However, under IFRSs, when the employees render services that increase their entitlement to future compensated absences, an entity should recognize the expected cost of employee benefits at the end of reporting periods.

As a result, as of December 31, 2012 and January 1, 2012, the IFRS adjustment resulted in an increase in "provision for employee benefit plan" by $16,299 thousand and $16,669 thousand, respectively, and salary expense for the year 2012 decreased by $370 thousand.

c) Employee benefits - pension plan

Under ROC GAAP, it is not allowed to recognize actuarial gains and losses from defined benefit plans directly to equity; instead, actuarial gains and losses should be accounted for under the corridor approach which resulted in the deferral of gains and losses. When using the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees. Under IAS No. 19, "Employee Benefits," the Company elects to recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The subsequent reclassification to earnings is not permitted.

As of December 31, 2012 and January 1, 2012, accrued pension cost of the Group was adjusted for an increase of $10,674 thousand and $7,276 thousand, respectively; deferred income tax assets were adjusted for an increase of $1,938 thousand and $1,242 thousand, respectively, retained earning was both adjusted for a decrease of $6,034 thousand and also deferred pension cost was adjusted for a decrease of $697 thousand and zero, respectively. Pension cost and income tax expense for the year ended December 31, 2012 were also adjusted for a decrease of $1,312 thousand and an increase of $223 thousand, respectively; actuarial loss of $4,488 thousand net of tax 919 thousand from defined benefit plans and associated tax benefit was recognized in other comprehensive income.

d) Share-based payment

Employee stock options that were granted or modified in the period from January 1, 2004 to December 31, 2007 are accounted for by the interpretations issued by the Accounting Research and Development Foundation of the Republic of China. The Company adopted the intrinsic value method and any compensation cost determined using this method is recognized in earnings over the employee vesting period. Employee stock option plans that were granted or modified from January 1, 2008 to December 31, 2009 are accounted for using intrinsic value method in accordance with the interpretations issued by Financial Supervisory Commission of the Republic of China.

Under IFRSs, according to IFRS 2, unless the share-based payments cannot be measured reliably, they should be accounted for using fair value method. As a result, as of December 31, 2012 and January 1, 2012, IFRS adjustment resulted in an increase in "capital surplus" by $52,918 thousand and $45,953 thousand, respectively, retained earning was both adjusted for a decrease of $45,953 thousand and an increase in salary expense by $6,965 thousand for the year 2012.

e) Investee issues new shares and an investor does not purchase new shares proportionately

Under ROC GAAP, if an investee issues new shares and an investor does not purchase new shares proportionately, capital surplus and the long-term equity investment accounts should be adjusted for the change in the investor's holding percentage and interest in the investee's net assets. By contrast, under IFRSs, a reduction of investor's ownership interest that results in loss of significant influence on or control over an investee would be treated as deemed disposal, with the related gain or loss recognized in profit or loss. An entity may elect not to adjust the difference retrospectively, and the Company elected to use the exemption from retrospective application. As of December 31, 2012 and January 1, 2012, the IFRS adjustment resulted in a decrease in capital surplus - long-term equity investments by $580 thousand and $580 thousand, respectively and an increase in retained earning by $580 thousand and $580 thousand at the same time.

f) The fair value of the net identifiable assets acquired in excess of the acquisition cost

Under ROC GAAP, the fair value of the net identifiable assets acquired in excess of the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain.

After converting to IFRS, the fair value and the acquisition-related costs should be reassessed, and the difference between fair value and the reassessed acquisition cost should be recognized immediately in profit or loss as an investment income instead of extraordinary gain. As a result, as of December 31, 2012 and January 1, 2012, IFRS adjustment resulted in an increase in "property, plant and equipment" by $18,875 thousand and $22,781 thousand, an increase in "advance payments" by $19 thousand and $33 thousand, an increase in "lease prepayment" by $1,761 thousand and $1,855 thousand, an increase in "computer software" by $47 thousand and $79 thousand, and retained earning was both adjusted for a increase of $24,748 thousand, respectively. Also, the operating expense was increased by $4,046 thousand for the year 2012.

g) Deferred charges

Under ROC GAAP, deferred charges are classified as other assets. Under IFRSs, deferred charges should be reclassified as property, plant and equipment; intangible assets; prepaid expenses; or long-term prepaid expenses, depending on the nature of these charges. Thus, based on IFRSs, as of December 31, 2012 and January 1, 2012, deferred charges of $10,472 thousand and $16,019 thousand, respectively, were reclassified as property, plant and equipment; deferred charges of $7,587 thousand and $10,785 thousand, respectively, were reclassified as other intangible assets; and deferred charges of $68,985 thousand and $42,426 thousand, respectively, were reclassified as advance payments.

h) Prepayments for equipment

Under ROC GAAP, prepayments for equipment are classified as property, plant and equipment. Under IFRSs, prepayments for equipment should be reclassified as prepaid expenses and should be treated as current or noncurrent on the basis of the expected length of the realization or settlement period. Thus, based on IFRSs, prepayments for equipment of $176,979 thousand and $170,734 thousand as of December 31, 2012 and January 1, 2012, respectively, were reclassified as prepaid expenses.

i) Land tenures

Under ROC GAAP, land tenures are classified as intangible asset. Under IAS17, land tenures belong to lease scope and should be reclassified as prepaid leases. Thus, based on IFRSs, land tenures of $60,982 thousand and $65,510 thousand as of December 31, 2012 and January 1, 2012, respectively, were reclassified as prepaid leases.

j) Accrued expenses

Accrued expenses should be classified as other payables after the transition to IFRSs. As a result, accrued expenses of $879,423 thousand and $829,683 thousand as of December 31, 2012 and January 1, 2012, respectively, were classified as other payables.

k) Idle assets and leasing assets

Under IFRSs, idle assets and leasing assets should be reclassified as property, plant and equipment.

l) Line items in the consolidated statement of comprehensive income

In accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers before its amendment due to the adoption of IFRSs, operating income shown in the consolidated income statement only includes net sales, cost of sales and operating expenses. Under IFRSs, based on the nature of operating transactions, rental revenue, depreciation of rental assets, net loss on disposal of property, plant and equipment and intangible assets, and impairment loss on property, plant and equipment, are reclassified as other operating gains and losses, which are reflected in consolidated operating income.

Based on IFRS, rental income of $27,690 thousand, loss on disposal of property, plant and equipment of $1,821 thousand and reversal of impairment loss on property, plant and equipment of $396 thousand, for the year ended December 31, 2012 were reclassified as other operating gains and losses.

m) Financial assets carried at cost

Under ROC GAAP, investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost. After converting to IFRS, equity instruments which were designated as available-for-sale financial assets or not designated as financial assets at fair value through profit or loss should be reclassified as available-for-sale financial assets and measured at fair value.

Thus, based on IFRSs, financial assets carried at cost of $9,600 thousand as of January 1, 2012, were reclassified as available-for-sale financial assets; unrealized gain or loss on available-for-sale financial assets increased $41,265 thousand. For the year 2012, the unrealized gain or loss on available-for-sale financial assets $3,285 thousand was recognized as other comprehensive income.

n) Time deposits with periods over three months

Under ROC GAAP, time deposits that can be readily terminated and withdrawn without adverse effect on the principal are accounted for as cash equivalents.

After converting to IFRS, time deposits with periods of over three months are not usually recognized as cash and cash equivalents. Those deposits with fixed or determinable payments that are not quoted in an active market and with deposit period of over three months should be classified as other financial assets.

Thus, based on IFRSs, cash equivalents of $64,082 thousand and $184,210 thousand as of December 31, 2012 and January 1, 2012, were reclassified as other financial assets.

6) Explanation of material adjustments to the statement of cash flows

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 Flow”, 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 $4,869 thousand and $9,996 thousand, respectively, 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 statement of cash flows.

TABLE 1

## COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED**
**FOR THE YEAR ENDED DECEMBER 31, 2013**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party | Maximum Amount Endorsed/Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collaterals | Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given On behalf of Companies in Mainland China | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Relationship | | | | | | | | | | | |
| 0 | Coxon Precise Industrial Co., Ltd. | Teckyork Enterprise Co., Ltd. (Samoa) | 100% subsidiary of the Company's investments | $ 1,237,896 | $ 380,976 | $ 35,766 | $ - | $ - | 1 | $ 2,475,791 | Y | N | N | |
| | | Sun Can International Ltd. (Samoa) | 100% subsidiary of the Company's investments | 1,237,896 | 305,976 | 35,766 | - | - | 1 | 2,475,791 | Y | N | N | |
| | | Coxon Industry Ltd. (Samoa) | 100% subsidiary of the Company's investments | 1,237,896 | 305,976 | 35,766 | - | - | 1 | 2,475,791 | Y | N | N | |
| | | Cheng Da Industry Ltd. (Samoa) | 100% subsidiary of the Company's investments | 1,237,896 | 185,876 | 184,791 | 149,025 | - | 3 | 2,475,791 | Y | N | N | |
| | | Hang Yuan Enterprise Ltd. (Samoa) | 100% subsidiary of the Company's investments through Cheng Yee Enterprise Ltd. (Samoa) | 1,237,896 | 335,876 | 333,816 | 110,279 | - | 5 | 2,475,791 | Y | N | N | |

# COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD**
**DECEMBER 31, 2013**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2013 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| Coxon Precise Industrial Co., Ltd. | Stocks | | | | | | | |
| | CALIN Technology Co., Ltd | None | Available-for-sale financial assets - Current | 1,000,000 | $ 28,700 | 1.00 | $ 28,700 | |
| | Kin Tin Optotronic Co., Ltd. | 〃 | Financial assets measured at cost - non-current | 2,255,193 | $ - | 6.37 | $ - | |
| | CGK International Co., Ltd. | 〃 | 〃 | 1,800,000 | 56,345 | 5.00 | - | |
| | | | | | $ 56,345 | | $ - | |
| Cheng Da Industry Ltd. (Samoa) | Taising Coxon Limited (Hong Kong) | Its director is the chairman of the parent company | Financial assets measured at cost - non-current | 847,500 | $ - | 18.00 | $ - | Note |

Note: The financial assets measured at cost are unlisted stocks. The assets were assessed as impaired with small chance of recovery so impairment loss was recognized in 2012.

TABLE 3

## COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2013**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts (Payable) or Receivable | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/(Sale) | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total | |
| Coxon Precise Industrial Co., Ltd. | Coxon Industry Ltd. (Samoa) | 100% subsidiary of the Company's investments | Processing fee | $ 1,541,134 | 52 | Note 1 | Note 2 | Note 1 | Other payable $ - | - | |
| | Sun Can International Ltd. (Samoa) | 〃 | Processing fee | 1,395,050 | 48 | Note 1 | Note 2 | Note 1 | Other payable 261,678 | 65 | |

Note 1: Depended on the capital requirements of the Company, Coxon Industry Ltd. (Samoa) and Sun Can International Ltd. (Samoa) or settle accounts by offsetting debts.

Note 2: Depended on the production size and manufacturing expense as processing fee billing to the Company. The billing amount not over 5% of total manufacturing expenses.

Note 3: The related party transactions between subsidiaries have been eliminated already.

# COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTEES**
**FOR THE YEAR ENDED DECEMBER 31, 2013**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2013 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2013 | December 31, 2012 | Shares | % | Carrying Amount | | | |
| Coxon Precise Industrial Co., Ltd. | Teckyork Enterprise Co., Ltd. (Samoa) | Samoa | Global investing activities | $ 1,044,773 (US$ 31,678) | $ 1,044,773 (US$ 31,678) | 17,569,700 | 100 | $ 1,814,790 | $ (23,458) | $ (23,458) | |
| | Sun Can International Ltd. (Samoa) | Samoa | Global investing activities | 551,004 (US$ 16,933) | 551,004 (US$ 16,933) | 16,932,762 | 100 | 1,349,556 | 207,755 | 207,849 | |
| | Coxon Industry Ltd. (Samoa) | Samoa | Global investing activities | 900,001 (US$ 27,870) | 900,001 (US$ 27,870) | 27,870,000 | 100 | 1,105,692 | 40,560 | 39,085 | |
| | Cheng Da Industry Ltd. (Samoa) | Samoa | Global investing activities | 1,075,387 (US$ 35,000) | 898,422 (US$ 29,000) | 35,000,000 | 100 | 642,766 | (134,809) | (134,809) | |
| | Cheng Yee Enterprise Ltd. (Samoa) | Samoa | Global investing activities | 1,278,438 (US$ 39,918) | 1,278,438 (US$ 39,918) | 34,400,000 | 80 | 1,386,003 | 42,808 | 34,317 | |
| | PT. Coxon Industrial | Indonesia | Manufacturing and sale of nonmetal molding and automobile parts | - | 384,240 (US$ 12,000) | - | - | - | 48,569 | 48,569 | |
| | Soartek Optoelectronics Technology Co., Ltd. | Taiwan | Manufacturing of optical instrument and electronic components | 51,000 | 51,000 | 5,100,000 | 100 | 46,716 | (3,802) | (3,802) | |
| Teckyork Enterprise Co., Ltd. (Samoa) | Vastech Industrial Co., Ltd. (Samoa) | Samoa | Global investing activities | 97,290 (US$ 3,000) | 97,290 (US$ 3,000) | 3,000,000 | 100 | 101,665 (US$ 3,411) | (17,220) (US$ -580) | (17,220) (US$ -580) | |
| Cheng Yee Enterprise Ltd. (Samoa) | Hang Yuan Enterprise Ltd. (Samoa) | Samoa | Global investing activities | 1,213,600 (US$ 40,000) | 1,213,600 (US$ 40,000) | 40,000,000 | 100 | 1,261,795 (US$ 42,335) | (9,471) (US$ -319) | (9,471) (US$ -319) | |
| | Coxon Precise International Limited (BVI) | Virgin Islands | Global investing activities | 91,020 (US$ 3,000) | 91,020 (US$ 3,000) | 3,000,000 | 100 | 357,034 (US$ 11,979) | 47,740 (US$ 1,608) | 47,740 (US$ 1,608) | |
| | Coxon Medical Limited (Samoa) | Samoa | Global investing activities | 159,600 (US$ 5,000) | 159,600 (US$ 5,000) | 5,000,000 | 80 | 112,126 (US$ 3,762) | (17,427) (US$ -587) | (13,954) (US$ -470) | |
| Soartek Optoelectronics Technology Co., Ltd. | Hsiangtek Optical Technology Co., Ltd. (Samoa) | Samoa | Global investing activities | 18,021 (US$ 601) | 18,021 (US$ 601) | 601,000 | 100 | 14,909 | (3,517) | (3,517) | |

Note: All investment and the equity of investee company are eliminated upon consolidation.

# COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS**
**FOR THE YEAR ENDED DECEMBER 31, 2013**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. | Lender | Borrower | Financial Statement Account | Related Parties | Highest Balance for the Period | Ending Balance | Actual Borrowing Amount | Interest Rate | Nature of Financing | Business Transaction Amounts | Reasons for Short-term Financing | Collateral | | Financing Limit for Each Borrower | Aggregate Financing Limits |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | Item | Value | | |
| 1 | Coxon Industry (Changshu) Co., Ltd. | Shanghai Teckyork Enterprise Co., Ltd. | Other receivable | Yes | $ 122,975<br>(RMB 25,000) | $ 122,975<br>(RMB 25,000) | 5.31 | Financing | Sales revenue 3,715<br>(RMB 771)<br>Interest income 6,163<br>(RMB 1,279) | Working capital | $ - | - | $ - | $ 1,301,495<br>(US$ 43,667) | $ 1,301,495<br>(US$ 29,805) |
| | | Sinxon Plastic (DongGuan) Ltd. | 〃 | 〃 | 48,060<br>(RMB 10,000) | - | 5.31 | 〃 | Interest income 1,065<br>(RMB 221) | 〃 | - | - | - | 1,301,495<br>(US$ 43,667) | 1,301,495<br>(US$ 43,667) |
| | | Coxon Industry Ltd. (Samoa) | 〃 | 〃 | 221,355<br>(RMB 45,000) | 221,355<br>(RMB 45,000) | 5.31 | 〃 | Interest income 11,517<br>(RMB 2,390) | 〃 | - | - | - | 1,301,495<br>(US$ 43,667) | 1,301,495<br>(US$ 43,667) |
| | | Changshu Huaxon Industry Co., Ltd. | 〃 | 〃 | 182,003<br>(RMB 37,000) | 182,003<br>(RMB 37,000) | 5.31 | 〃 | Interest income 8,664<br>(RMB 1,798) | 〃 | - | - | - | 1,301,495<br>(US$ 43,667) | 1,301,495<br>(US$ 43,667) |
| | | Dong Guan Soartek Optical Technology Co., Ltd. | 〃 | 〃 | 48,920<br>(RMB 10,000) | - | 5.31 | 〃 | Interest income 2,347<br>(RMB 487) | 〃 | - | - | - | 1,301,495<br>(US$ 43,667) | 1,301,495<br>(US$ 43,667) |
| 2 | Hang Yuan Enterprise Ltd. (Samoa) | Teckyork Enterprise Co., Ltd. (Samoa) | 〃 | 〃 | 30,000<br>(US$ 1,000) | 29,805<br>(US$ 1,000) | 1.50 | 〃 | Rendering revenue 238<br>(US$ 8)<br>Interest income 445<br>(US$ 15) | 〃 | - | - | - | 1,261,795<br>(US$ 42,335) | 1,261,795<br>(US$ 42,335) |
| 3 | Coxon Medical Limited (Samoa) | Teckyork Enterprise Co., Ltd. (Samoa) | 〃 | 〃 | 21,000<br>(US$ 700) | - | 1.50 | 〃 | Interest income 238<br>(US$ 8) | 〃 | - | - | - | 140,173<br>(US$ 4,703) | 140,173<br>(US$ 4,703) |
| 4 | Vastech Plastic (Shanghai) Industrial Co., Ltd. | Shanghai Teckyork Enterprise Co., Ltd | 〃 | 〃 | 9,838<br>(RMB 2,000) | 9,838<br>(RMB 2,000) | 5.31 | 〃 | Sales revenue 2,964<br>(RMB 615)<br>Interest income 463<br>(RMB 96) | 〃 | - | - | - | 95,048<br>(US$ 3,189) | 95,048<br>(US$ 3,189) |
| 5 | Sinxon Plastic (DongGuan) Ltd. | Coxon Industry Ltd. (Samoa) | 〃 | 〃 | 56,258<br>(RMB 11,500) | 51,650<br>(RMB 10,500) | 5.31 | 〃 | Interest income 1,609<br>(RMB 334) | 〃 | - | - | - | 570,617<br>(US$ 19,145) | 570,617<br>(US$ 19,145) |

# COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2013**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/Sale | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total | |
| Coxon Industry Ltd. (Samoa) | Coxon Precise Industrial Co., Ltd. | Subsidiaries | Processing revenue | $ 1,541,134 | 100 | Note 1 | Note 2 | Note 1 | Account receivable $ - | - | |
| Sun Can International Ltd. (Samoa) | 〃 | Subsidiaries | Processing revenue | 1,395,050 | 100 | Note 1 | Note 2 | Note 1 | Account receivable 261,678 | 100 | |

Note 1: Depended on the capital requirements of the Company, Coxon Industry Ltd. (Samoa) and Sun Can International Ltd. (Samoa) or settle accounts by offsetting debts.

Note 2: Depended on the production size and manufacturing expense as processing fee billing to the Company. The billing amount not over 5% of total manufacturing expenses.

Note 3: The related party transactions between subsidiaries have been eliminated already.

**TABLE 7**

## COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**DECEMBER 31, 2013**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name | Related Party | Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Impairment Loss |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Actions Taken | | |
| Sun Can International Ltd. (Samoa) | Coxon Precise Industrial Co., Ltd. | Ultimate parent company | $ 261,678 (US$ 8,780) | 5.38 | $ - | - | $ - | $ - |
| Coxon Industry (Changshu) Co., Ltd. | Coxon Industry Ltd. (Samoa) | Associate | 221,355 (RMB 45,000) | - | - | - | - | - |
| | Changshu Huaxon Industry Co., Ltd. | 〃 | 182,003 (RMB 37,000) | - | - | - | - | - |
| | Shanghai Teckyork Enterprise Co., Ltd. | 〃 | 122,975 (RMB 25,000) | - | - | - | - | - |

Note: The related party transactions between subsidiaries had been eliminated already.

TABLE 8

## COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA**
**FOR THE YEAR ENDED DECEMBER 31, 2013**
**(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)**

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investment (Note 1) | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2013 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2013 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of December 31, 2013 | Accumulated Repatriation of Investment Income as of December 31, 2013 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward | Inward | | | | | | | |
| Shanghai Teckyork Enterprise Co., Ltd. | Manufacturing and sale of nonmetal molding, precision plastic injection parts and optical lens | $ 484,400<br>(US$ 16,000) | Investment through third party | $ 667,893<br>(US$ 20,348) | $ - | $ - | $ 667,893<br>(US$ 20,348) | $ (22,712)<br>(US$ -765) | 100 | $ (22,712)<br>(US$ -765) | $ 543,971<br>(US$ 18,251) | $ - | |
| Shanghai Sonor Enterprise Co., Ltd. | Manufacturing and sale of nonmetal molding, precision plastic injection parts, related semi-finished goods and components | 151,375<br>(US$ 5,000) | 〃 | 218,175<br>(US$ 6,647) | - | - | 218,175<br>(US$ 6,647) | (30,045)<br>(US$ -1,012) | 100 | (30,045)<br>(US$ -1,012) | 91,501<br>(US$ 3,070) | - | |
| Vastech Plastic (Shanghai) Industrial Co., Ltd. | Manufacturing and sale of nonmetal molding, precision plastic injection parts and optical lens | 90,825<br>(US$ 3,000) | 〃 | 141,310<br>(US$ 4,303) | - | - | 141,310<br>(US$ 4,303) | (17,160)<br>(US$ -578) | 100 | (17,160)<br>(US$ -578) | 95,048<br>(US$ 3,189) | - | |
| Changshu Huaxon Industry Co., Ltd. | Manufacturing, assembling and sale of optical disc drive, digital camera parts, electric parts and nonmetal molding | 938,525<br>(US$ 31,000) | 〃 | 64,270<br>(US$ 2,000) | - | - | 64,270<br>(US$ 2,000) | 11,193<br>(US$ 377) | 100 | 11,193<br>(US$ 377) | 1,017,096<br>(US$ 34,125) | - | |
| Changshu Houkennixx Plastic Product Co., Ltd. | Manufacturing, assembling and sale of plastic products | 176,590<br>(US$ 6,000) | 〃 | - | - | - | - | (24,256)<br>(US$ -817) | 20 | (4,869)<br>(US$ -164) | 31,891<br>(US$ 1,070) | - | |
| Sinxon Plastic (DongGuan) Ltd. | Manufacturing and sale of nonmetal molding and automobile parts | 550,844<br>(HK$ 119,630) | 〃 | 320,818<br>(US$ 9,870) | - | - | 320,818<br>(US$ 9,870) | 133,214<br>(US$ 4,487) | 100 | 133,214<br>(US$ 4,487) | 570,617<br>(US$ 19,145) | - | |
| Coxon Industry (Changshu) Co., Ltd. | Manufacturing and sale of nonmetal molding, precision plastic injection parts, related semi-finished goods and components | 1,211,000<br>(US$ 40,000) | 〃 | 1,189,245<br>(US$ 37,133) | - | - | 1,189,245<br>(US$ 37,133) | 9,649<br>(US$ 325) | 80 | 7,719<br>(US$ 260) | 1,301,495<br>(US$ 43,667) | - | |
| Toyo Precision Appliance (Kunshan) Co., Ltd. | Manufacturing and processing of sheet metal-press work parts | 397,851<br>(RMB 82,765) | 〃 | 89,193<br>(US$ 2,785) | - | - | 89,193<br>(US$ 2,785) | 167,742<br>(US$ 5,650) | 24 | 40,258<br>(US$ 1,356) | 326,191<br>(US$ 10,944) | - | |
| Shanghai Coxon Medical Limited | Manufacturing of medical materials | 149,770<br>(US$ 5,000) | 〃 | - | - | - | | (10,272)<br>(US$ -346) | 64 | (6,561)<br>(US$ -221) | 108,133<br>(US$ 3,628) | - | |
| Shandong GoerXon Precision Industry Co., Ltd. | Manufacturing and sale of precision plastic injection parts | 451,572<br>(RMB 96,000) | Investment through Changshu Huaxon Industry Co., Ltd. | - | - | - | - | 68,754<br>(RMB 14,348) | 51 | 35,062<br>(RMB 7,317) | 271,393<br>(RMB 55,516) | - | |
| Dong Guan Soartek Optical Technology Co., Ltd. | Manufacturing and sale of optical instrument, electronic products and plastic products | 17,991<br>(US$ 600) | Investment through third party | 17,991<br>(US$ 600) | - | - | 17,991<br>(US$ 600) | (3,503)<br>(US$ -118) | 100 | (3,503)<br>(US$ -118) | 14,873<br>(US$ 499) | - | |
| Dong Guan Cheng Da Metal Product Company Limited | Manufacturing instrument, electronic products and plastic products | 76,981<br>(RMB 16,068) | 〃 | - | 73,610<br>(US$ 2,500) | - | 73,595<br>(US$ 2,500) | (742)<br>(US$ -25) | 100 | (742)<br>(US$ -25) | 77,791<br>(US$ 2,610) | - | |

| Accumulated Investment in Mainland China as of December 31, 2013 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|---|---|
| $ 2,782,490<br>(US$ 86,186) | $ 3,914,827<br>(US$ 131,348) | NA |

(Continued)

Significant transactions with investee companies in Mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

| Investee Company | Relationship | Transaction Type | Amount | Transaction Details | | | Notes/Accounts Receivable (Payable) | | Unrealized (Gain) Loss |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Price | Payment Term | Comparison with Normal Transaction | Ending Balance | % | |
| Coxon Industry Ltd. (Samoa) | 100% subsidiary of the Company's investments | Subcontract | $ 1,541,134 | Note 1 | Note 1 | Note 1 | Others payable $ - | - | $ 5,870 |
| Sun Can International Ltd. (Samoa) | 100% subsidiary of the Company's investments | Subcontract | 1,395,050 | Note 1 | Note 1 | Note 1 | Others payable 261,678 | 65 | 4,081 |

Note 1: See Table 3.

Endorsements/guarantees provided with investee companies in Mainland China, either directly or indirectly through a third party:

| Investee Company | Relationship | Endorsements/ Guarantees | Outstanding Endorsement/ Guarantee at the End of the Period | Purpose of Providing Endorsements/Guarantees |
|---|---|---|---|---|
| Teckyork Enterprise Co., Ltd. (Samoa) | 100% subsidiary of the Company's investments | Endorsements | $ 35,766 | To obtain bank loans and financial instruments transactions sufficient working capital and engage in currency hedging transactions |
| Sun Can International Ltd. (Samoa) | 100% subsidiary of the Company's investments | Endorsements | 35,766 | To obtain bank loans and financial instruments transactions sufficient working capital and engage in currency hedging transactions |
| Coxon Industry Ltd. (Samoa) | 100% subsidiary of the Company's investments | Endorsements | 35,766 | To obtain bank loans and financial instruments transactions sufficient working capital and engage in currency hedging transactions |
| Cheng Da Industry Ltd. (Samoa) | 100% subsidiary of the Company's investments | Endorsements | 184,791 | To obtain bank loans and financial instruments transactions sufficient working capital and engage in currency hedging transactions |
| Hang Yuan Enterprise Ltd. (Samoa) | 100% subsidiary of the Company's investments through Cheng Yee Enterprise Ltd. (Samoa) | Endorsements | 333,816 | To obtain bank loans and financial instruments transactions sufficient working capital and engage in currency hedging transactions |

Financing provided with investee companies in Mainland China, either directly or indirectly through a third party: None.

Other transaction effects significantly profit and loss or financial situation: None.

(Concluded)

# COXON PRECISE INDUSTRIAL CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS**
**FOR THE YEAR ENDED DECEMBER 31, 2013**
**(Amounts in Thousands of New Taiwan Dollars)**

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transaction Details: Financial Statement Account | Transaction Details: Amount | Transaction Details: Payment Terms (Note 3) | Transaction Details: % to Total Sales or Assets (Note 4) |
|---|---|---|---|---|---|---|---|
| | 2013 | | | | | | |
| 0 | Coxon Precise Industrial Co., Ltd. | Coxon Industry Ltd. | 1 | Unearned sales revenue | $ 48,145 | Note | - |
| | | | 1 | Manufacturing overhead - outsourced | 1,541,134 | Note | 19 |
| | | Sun Can International Ltd. | 1 | Manufacturing overhead - outsourced | 1,395,050 | Note | 17 |
| | | | 1 | Other payables | 261,678 | Note | 2 |
| | | Soartek Optoelectronics Technology Co., Ltd. | 1 | Rent revenue | 132 | Note | - |
| | | | 1 | Guarantee deposits | 33 | Note | - |
| | | Cheng Da Industry Ltd. | 1 | Account payable | 24,231 | Note | - |
| | | | 1 | Sales revenue | 10,647 | Note | - |
| | | | 1 | Purchases | 92,806 | Note | 1 |
| | | Teckyork Enterprise Co., Ltd. | 1 | Other receivables | 723 | Note | - |
| | | | 1 | Account receivable | 773 | Note | - |
| | | | 1 | Sales revenue | 867 | Note | - |
| | | Hang Yuan Enterprise Ltd. | 1 | Other receivables | 1,318 | Note | - |
| | | | 1 | Sales revenue | 2,093 | Note | - |
| | | Coxon Medical Limited Shanghai Teckyork Enterprise Co., Ltd. | 1 | Other receivables | 305 | Note | - |
| | | | 1 | Sales revenue | 1,550 | Note | - |
| | | Shanghai Sonor Enterprise Co., Ltd. | 1 | Account receivable | 340 | Note | - |
| | | | 1 | Purchases | 283 | Note | - |
| | | Dong Guan Soartek Optical Technology Co., Ltd. | 1 | Purchases | 1,854 | Note | - |
| | | Sinxon Plastic (DongGuan) Ltd. | 1 | Account receivable | 1,447 | Note | - |
| | | | 1 | Processing revenue | 1,437 | Note | - |
| 1 | Coxon Industry Ltd. | Coxon Precise Industrial Co., Ltd. | 2 | Processing revenue | 1,541,134 | Note | 19 |
| | | | 2 | Unearned sales revenue | 48,145 | Note | 1 |
| | | Sinxon Plastic (DongGuan) Ltd. | 3 | Other payables | 51,650 | Note | - |
| | | | 3 | Interest expense | 1,609 | Note | - |
| | | Shanghai Teckyork Enterprise Co., Ltd. | 3 | Other payables | 307 | Note | - |
| | | | 3 | Payable on equipment | 8,078 | Note | - |
| | | Shanghai Sonor Enterprise Co., Ltd. | 3 | Payable on equipment | 14,641 | Note | - |
| | | Coxon Industry (Changshu) Co., Ltd. | 3 | Interest expense | 11,517 | Note | - |
| | | | 3 | Account payable | 161 | Note | - |
| | | | 3 | Other payables | 221,355 | Note | 2 |
| | | | 3 | Manufacturing overhead - outsourced | 158 | Note | - |
| | | Sun Can International Ltd. | 3 | Payable on equipment | 27,038 | Note | - |
| | | PT. Coxon Industrial | 3 | Interest expense | 2,969 | Note | - |

(Continued)

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount | Payment Terms (Note 3) | % to Total Sales or Assets (Note 4) |
| 2 | Sun Can International Ltd. | Coxon Precise Industrial Co., Ltd. | 2 | Processing revenue | $ 1,395,050 | Note | 17 |
| | | | 2 | Account receivable | 261,678 | Note | 2 |
| | | Shanghai Teckyork Enterprise Co., Ltd. | 3 | Payable on equipment | 990 | Note | - |
| | | Coxon Industry Ltd. | 3 | Other receivables | 27,038 | Note | - |
| | | Teckyork Enterprise Co., Ltd. | 3 | Account payable | 464 | Note | - |
| | | | 3 | Manufacturing overhead - outsourced | 75 | Note | - |
| | | PT. Coxon Industrial | 3 | Interest expense | 594 | Note | - |
| 3 | Sinxon Plastic (DongGuan) Ltd. | Coxon Precise Industrial Co., Ltd. | 2 | Account payable | 1,447 | Note | - |
| | | | 2 | Purchases | 1,437 | Note | - |
| | | Coxon Industry Ltd. | 3 | Other receivables | 51,650 | Note | - |
| | | | 3 | Interest revenue | 1,609 | Note | - |
| | | Shanghai Sonor Enterprise Co., Ltd. | 3 | Account payable | 63 | Note | - |
| | | Dong Guan Soartek Optical Technology Co., Ltd. | 3 | Purchases | 12,919 | Note | - |
| | | Coxon Industry (Changshu) Co., Ltd. | 3 | Interest expense | 1,065 | Note | - |
| | | Shandong GoerXon Precision Industry Co., Ltd. | 3 | Account receivable | 810 | Note | - |
| | | | 3 | Sales revenue | 8,262 | Note | - |
| 4 | Teckyork Enterprise Co., Ltd | Coxon Precise Industrial Co., Ltd. | 2 | Other receivables | 723 | Note | - |
| | | | 2 | Account payable | 773 | Note | - |
| | | | 2 | Service cost | 867 | Note | - |
| | | Shanghai Teckyork Enterprise Co., Ltd. | 1 | Manufacturing overhead - outsourced | 6,217 | Note | - |
| | | | 1 | Account payable | 1,815 | Note | - |
| | | | 1 | Purchases | 1,351 | Note | - |
| | | | 1 | Receivables on sale equipment | 4,474 | Note | - |
| | | Hang Yuan Enterprise Ltd. | 3 | Prepaid expense | 227 | Note | - |
| | | | 3 | Other receivables | 29,805 | Note | - |
| | | | 3 | Interest expense | 445 | Note | - |
| | | Vastech Plastic (Shanghai) Industrial Co., Ltd. | 1 | Purchases | 128 | Note | - |
| | | Coxon Medical Limited | 3 | Interest expense | 238 | Note | - |
| | | Sun Can International Ltd. | 3 | Account receivable | 464 | Note | - |
| | | | 3 | Service revenue | 75 | Note | - |
| | | Coxon Industry (Changshu) Co., Ltd. | 3 | Sales revenue | 1,351 | Note | - |
| 5 | Shanghai Teckyork Enterprise Co., Ltd. | Coxon Precise Industrial Co., Ltd. | 2 | Purchases | 1,550 | Note | - |
| | | Teckyork Enterprise Co., Ltd. | 2 | Sales revenue | 7,568 | Note | - |
| | | | 2 | Account receivable | 1,815 | Note | - |
| | | | 2 | Payment on equipment | 4,474 | Note | - |
| | | Shanghai Sonor Enterprise Co., Ltd. | 3 | Other receivables | 17,197 | Note | - |
| | | | 3 | Other receivables | 8 | Note | - |
| | | | 3 | Rent revenue | 14,039 | Note | - |

(Continued)

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount | Payment Terms (Note 3) | % to Total Sales or Assets (Note 4) |
| | | Vastech Plastic (Shanghai) Industrial Co., Ltd. | 3 | Other receivables | $ 1 | Note | - |
| | | | 3 | Purchases | 2,997 | Note | - |
| | | | 3 | Account payable | 47 | Note | - |
| | | | 3 | Other receivables | 9,865 | Note | - |
| | | | 3 | Sales revenue | 7,452 | Note | - |
| | | | 3 | Interest expense | 458 | Note | - |
| | | Shanghai Coxon Medical Limited | 3 | Rent revenue | 4,839 | Note | - |
| | | | 3 | Other receivables | 1,364 | Note | - |
| | | Coxon Industry (Changshu) Co., Ltd. | 3 | Manufacturing overhead - outsourced | 1,727 | Note | - |
| | | | 3 | Interest expense | 6,163 | Note | - |
| | | | 3 | Account payable | 83 | Note | - |
| | | | 3 | Other receivables | 122,975 | Note | 1 |
| | | | 3 | Receivables on sale equipment | 2,139 | Note | - |
| | | | 3 | Other revenue | 402 | Note | - |
| | | | 3 | Purchases | 1,748 | Note | - |
| | | | 3 | Manufacturing overhead - molding | 220 | Note | - |
| | | | 3 | Payroll expense | 1,020 | Note | - |
| | | Sun Can International Ltd. | 3 | Receivables on sale equipment | 990 | Note | - |
| | | Coxon Industry Ltd. | 3 | Other receivables | 307 | Note | - |
| | | | 3 | Receivables on sale equipment | 8,078 | Note | - |
| 6 | Shanghai Sonor Enterprise Co., Ltd. | Coxon Precise Industrial Co., Ltd. | 2 | Account receivable | 340 | Note | - |
| | | | 2 | Sales revenue | 283 | Note | - |
| | | Shanghai Teckyork Enterprise Co., Ltd. | 2 | Rent expense | 14,039 | Note | - |
| | | | 3 | Other receivables | 17,197 | Note | - |
| | | | 3 | Other receivables | 8 | Note | - |
| | | Coxon Industry (Changshu) Co., Ltd. | 3 | Sales revenue | 7,083 | Note | - |
| | | | 3 | Account receivable | 1,865 | Note | - |
| | | | 3 | Account payable | 44 | Note | - |
| | | | 3 | Manufacturing overhead - outsourced | 151 | Note | - |
| | | | 3 | Purchases | 209 | Note | - |
| | | Shanghai Coxon Medical Limited | 3 | Account receivable | 12 | Note | - |
| | | | 3 | Other receivables | 978 | Note | - |
| | | | 3 | Other revenue | 12 | Note | - |
| | | Sinxon Plastic (DongGuan) Ltd. | 3 | Account receivable | 63 | Note | - |
| | | Coxon Industry Ltd. | 3 | Other receivables | 14,641 | Note | - |
| 7 | Vastech Plastic (Shanghai) Industrial Co., Ltd. | Teckyork Enterprise Co., Ltd. | 2 | Sales revenue | 128 | Note | - |
| | | Shanghai Teckyork Enterprise Co., Ltd. | 3 | Sales revenue | 2,997 | Note | - |
| | | | 3 | Other payables | 1 | Note | - |
| | | | 3 | Account receivable | 47 | Note | - |
| | | | 3 | Other receivable | 9,865 | Note | - |
| | | | 3 | Prepaid expenses | 7,452 | Note | - |
| | | | 3 | Interest income | 458 | Note | - |

(Continued)

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount | Payment Terms (Note 3) | % to Total Sales or Assets (Note 4) |
| 8 | Hang Yuan Enterprise Ltd. | Coxon Precise Industrial Co., Ltd. | 2 | Purchases | $ 2,079 | Note | - |
| | | | 2 | Other payables | 1,318 | Note | - |
| | | | 2 | Service costs | 14 | Note | - |
| | | Teckyork Enterprise Co., Ltd. | 3 | Interest income | 445 | Note | - |
| | | | 3 | Other receivable | 29,805 | Note | - |
| | | | 3 | Service revenue | 227 | Note | - |
| | | Coxon Industry (Changshu) Co., Ltd. | 3 | Account receivable | 5,251 | Note | - |
| | | | 3 | Account payable | 4,262 | Note | - |
| | | | 3 | Sales revenue | 7,320 | Note | - |
| | | | 3 | Service costs | 4,245 | Note | - |
| 9 | Coxon Industry (Changshu) Co., Ltd. | Shanghai Teckyork Enterprise Co., Ltd. | 3 | Sales revenue | 3,695 | Note | - |
| | | | 3 | Account receivable | 83 | Note | - |
| | | | 3 | Other payables | 122,975 | Note | 1 |
| | | | 3 | Payables on equipment | 2,139 | Note | - |
| | | | 3 | Other revenue | 1,020 | Note | - |
| | | | 3 | Manufacturing overhead - salaries | 402 | Note | - |
| | | | 3 | Interest income | 6,163 | Note | - |
| | | Shanghai Sonor Enterprise Co., Ltd. | 3 | Purchases | 6,508 | Note | - |
| | | | 3 | Sales revenue | 360 | Note | - |
| | | | 3 | Other payables | 519 | Note | - |
| | | | 3 | Account receivable | 44 | Note | - |
| | | | 3 | Manufacturing overhead - outsourced | 575 | Note | - |
| | | | 3 | Account receivable | 1,346 | Note | - |
| | | Coxon Industry Ltd. | 3 | Other receivable | 221,355 | Note | 2 |
| | | | 3 | Interest income | 11,517 | Note | - |
| | | | 3 | Account receivable | 161 | Note | - |
| | | | 3 | Sales revenue | 158 | Note | - |
| | | Sinxon Plastic (DongGuan) Ltd. | 3 | Interest income | 1,065 | Note | - |
| | | Changshu Huaxon Industry Co., Ltd. | 3 | Interest income | 8,664 | Note | - |
| | | | 3 | Rent expense | 33,352 | Note | - |
| | | | 3 | Other receivables | 182,003 | Note | 2 |
| | | | 3 | Other payables | 2,836 | Note | - |
| | | Dong Guan Soartek Optical Technology Co., Ltd. | 3 | Interest revenue | 2,347 | Note | - |
| | | Hang Yuan Enterprise Ltd. | 2 | Account receivable | 4,262 | Note | - |
| | | | 2 | Account payable | 5,251 | Note | - |
| | | | 2 | Sales revenue | 4,245 | Note | - |
| | | | 2 | Purchases | 7,320 | Note | - |
| | | Teckyork Enterprise Co., Ltd. | 3 | Purchases | 1,351 | Note | - |
| 10 | Cheng Da Industry Ltd. | Coxon Precise Industrial Co., Ltd. | 2 | Account receivable | 24,231 | Note | - |
| | | | 2 | Sales revenue | 92,806 | Note | - |
| | | | 2 | Purchases | 10,647 | Note | - |

(Continued)

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount | Payment Terms (Note 3) | % to Total Sales or Assets (Note 4) |
| 11 | Changshu Huaxon Industry Co., Ltd. | Coxon Industry (Changshu) Co., Ltd. | 3 | Other receivables | $ 2,836 | Note | - |
| | | | 3 | Other payables | 182,003 | Note | 2 |
| | | | 3 | Rent revenue | 33,352 | Note | - |
| | | | 3 | Interest expense | 8,664 | Note | - |
| 12 | Coxon Medical Limited | Coxon Precise Industrial Co., Ltd. | 2 | Other payables | 305 | Note | - |
| | | Teckyork Enterprise Co., Ltd. | 3 | Interest income | 238 | Note | - |
| 13 | Shanghai Coxon Medical Limited | Shanghai Teckyork Enterprise Co., Ltd. | 3 | Other payables | 1,364 | Note | - |
| | | | 3 | Rent expense | 4,839 | Note | - |
| | | Shanghai Sonor Enterprise Co., Ltd. | 3 | Account payable | 12 | Note | - |
| | | | 3 | Other payables | 978 | Note | - |
| | | | 3 | Manufacturing overhead - outsourced | 12 | Note | - |
| 14 | Soartek Optoelectronics Technology Co., Ltd. | Coxon Precise Industrial Co., Ltd. | 2 | Refundable deposits | 33 | Note | - |
| | | | 2 | Rent expense | 132 | Note | - |
| 15 | Shandong GoerXon Precision Industry Co., Ltd. | Sinxon Plastic (DongGuan) Ltd. | 3 | Account payable | 810 | Note | - |
| | | | 3 | Purchases | 7,694 | Note | - |
| | | | 3 | Manufacturing overhead - outsourced | 539 | Note | - |
| | | | 3 | Manufacturing - molding expense | 29 | Note | - |
| 16 | Dong Guan Soartek Optical Technology Co., Ltd. | Coxon Industry (Changshu) Co., Ltd. | 3 | Interest expense | 2,347 | Note | - |
| | | Coxon Precise Industrial Co., Ltd. | 3 | Sales revenue | 1,854 | Note | - |
| | | Sinxon Plastic (DongGuan) Ltd. | 3 | Sales revenue | 12,919 | Note | - |
| 17 | PT Coxon Industrial | Coxon Industry Ltd. | 3 | Interest income | 2,969 | Note | - |
| | | Sun Can International Ltd. | 3 | Interest income | 594 | Note | - |

Note 1: The numbers above are identified as follows:

1. “0” for the Company.
2. “1” for the subsidiary.

Note 2: The flow of transactions was as follows:

1. From the Company to the subsidiary.
2. From the subsidiary to the Company.
3. Between subsidiaries.

Note 3: The transaction terms with the related party are not significantly different from those to third parties.

Note 4: For assets and liabilities, the amount is shown as a percentage to consolidated total assets as of December 31, 2013, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2013.

(Concluded)