

**Kwong Lung Enterprise 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 do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

KWONG LUNG ENTERPRISE CO., LTD.

By

March 21, 2014

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Kwong Lung Enterprise Co., Ltd.

We have audited the accompanying consolidated balance sheets of Kwong Lung Enterprise 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 did not audit the 2013, 2012 and 2011 financial statements of certain consolidated subsidiaries which reflect total assets constituting 41% (NT\$2,057,544 thousand), 34% (NT\$1,602,348 thousand) and 35% (NT\$1,943,367 thousand) of consolidated total assets as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, and total sales constituting 19% (NT\$1,699,352 thousand) and 19% (NT\$1,514,962 thousand) of consolidated total sales for the years ended December 31, 2013 and 2012, respectively. Such financial statements of certain subsidiaries were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and information disclosed in relative to these consolidated subsidiaries, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, 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 Kwong Lung Enterprise Co., Ltd. as of and for the years ended December 31, 2013 and 2012 on which we have issued a modified unqualified report.

March 21, 2014

Notice to Readers

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.

KWONG LUNG ENTERPRISE 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 (Note 6)	\$ 391,730	8	\$ 366,161	8	\$ 763,494	14
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	42,423	1	64,683	1	7,546	-
Debt investments with no active market - current (Note 4)	-	-	-	-	2,387	-
Notes receivable (Notes 4 and 10)	115,573	2	177,954	4	184,569	3
Trade receivables (Notes 4, 5 and 10)	562,242	11	693,178	15	643,098	12
Other receivables (Notes 4 and 10)	67,946	1	65,098	1	56,360	1
Inventories (Notes 4, 5 and 11)	2,210,337	44	1,772,369	38	2,011,168	36
Prepayments	126,448	3	136,216	3	268,271	5
Prepayments for lease (Notes 4 and 15)	2,779	-	2,740	-	2,699	-
Other current assets	92,752	2	18,061	-	61,308	1
Total current assets	3,612,230	72	3,296,460	70	4,000,900	72
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Notes 4 and 8)	34,986	1	37,165	1	38,380	1
Financial assets measured at cost - non-current (Notes 4 and 9)	35,095	1	35,095	1	35,095	1
Investments accounted for using equity method (Notes 4, 5 and 12)	30,797	1	27,677	-	25,364	-
Property, plant and equipment (Notes 4, 13 and 29)	1,138,053	23	1,169,424	25	1,263,517	23
Other intangible assets (Notes 4 and 14)	61,386	1	54,162	1	51,308	1
Deferred tax assets (Notes 4 and 22)	25,455	-	34,688	1	26,163	1
Refundable deposits	9,413	-	9,917	-	16,445	-
Long-term prepayments for lease (Notes 4 and 15)	61,273	1	60,064	1	65,174	1
Long-term other receivables (Note 4)	-	-	-	-	2,604	-
Total non-current assets	1,396,458	28	1,428,192	30	1,524,050	28
TOTAL	\$ 5,008,688	100	\$ 4,724,652	100	\$ 5,524,950	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 16 and 29)	\$ 528,197	11	\$ 953,155	20	\$ 1,157,228	21
Short-term bills payable (Note 16)	-	-	-	-	149,855	3
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	-	-	27,137	-
Notes payable (Note 17)	15,506	-	18,496	-	20,145	-
Trade payables (Notes 17 and 28)	675,341	14	467,728	10	968,967	18
Other payables (Note 18)	319,501	6	327,222	7	275,608	5
Current tax liabilities (Notes 4 and 22)	60,142	1	21,619	-	42,860	1
Current portion of long-term borrowings (Notes 16 and 29)	246,256	5	379,590	8	234,791	4
Other current liabilities	15,988	-	26,237	1	28,320	1
Total current liabilities	1,860,931	37	2,194,047	46	2,904,911	53
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 16 and 29)	811,982	16	513,954	11	714,217	13
Accrued pension liabilities (Notes 4, 5 and 19)	98,003	2	83,948	2	30,881	-
Deferred tax liabilities (Notes 4 and 22)	41,335	1	45,957	1	49,180	1
Other non-current liabilities	30	-	3,534	-	-	-
Total non-current liabilities	951,350	19	647,393	14	794,278	14
Total liabilities	2,812,281	56	2,841,440	60	3,699,189	67
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital						
Ordinary shares	896,670	18	895,800	19	892,930	16
Capital surplus						
Additional paid-in capital	327,629	6	327,940	7	328,753	6
Treasury stock transactions	29,284	1	29,284	1	22,358	-
Employee share option plan	7,134	-	-	-	-	-
Total capital surplus	364,047	7	357,224	8	351,111	6
Retain earnings						
Legal reserve	211,736	5	191,139	4	176,907	3
Special reserve	56,117	1	-	-	-	-
Unappropriated earnings	650,523	13	484,059	10	384,995	7
Total retain earnings	918,376	19	675,198	14	561,902	10
Other equity	15,927	-	(45,010)	(1)	30,666	1
Treasury shares	-	-	-	-	(10,848)	-
Total equity attributable to owners of the Company	2,195,020	44	1,883,212	40	1,825,761	33
NON-CONTROLLING INTERESTS	1,387	-	-	-	-	-
Total equity	2,196,407	44	1,883,212	40	1,825,761	33
TOTAL	\$ 5,008,688	100	\$ 4,724,652	100	\$ 5,524,950	100

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

(With Deloitte & Touche auditors' report dated March 21, 2014)

KWONG LUNG ENTERPRISE 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 (Note 4)				
Sales	\$ 9,093,373	100	\$ 8,069,773	100
OPERATING COSTS (Notes 11, 21 and 28)				
Cost of goods sold	<u>(7,864,285)</u>	<u>(86)</u>	<u>(7,030,025)</u>	<u>(87)</u>
GROSS PROFIT	<u>1,229,088</u>	<u>14</u>	<u>1,039,748</u>	<u>13</u>
OPERATING EXPENSES (Notes 21 and 28)				
Selling and marketing expenses	(445,859)	(5)	(429,693)	(5)
General and administrative expenses	(255,436)	(3)	(241,606)	(3)
Research and development expenses	<u>(91,633)</u>	<u>(1)</u>	<u>(64,161)</u>	<u>(1)</u>
Total operating expenses	<u>(792,928)</u>	<u>(9)</u>	<u>(735,460)</u>	<u>(9)</u>
PROFIT FROM OPERATIONS	<u>436,160</u>	<u>5</u>	<u>304,288</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 21)				
Other income	5,303	-	12,506	-
Other gains and losses	64,352	1	6,099	-
Finance costs	(39,421)	(1)	(35,607)	-
Share of profit or loss of associates and joint ventures	<u>2,701</u>	<u>-</u>	<u>3,089</u>	<u>-</u>
Total non-operating income and expenses	<u>32,935</u>	<u>-</u>	<u>(13,913)</u>	<u>-</u>
PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX	469,095	5	290,375	4
INCOME TAX EXPENSE (Notes 4 and 22)	<u>(108,080)</u>	<u>(1)</u>	<u>(88,760)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>361,015</u>	<u>4</u>	<u>201,615</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	63,104	1	(74,461)	(1)
Unrealized loss on available-for-sale financial assets	(2,179)	-	(1,215)	-

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KWONG LUNG ENTERPRISE 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	%
Actuarial gain and loss arising from defined benefit plans	\$ (1,706)	-	\$ 1,204	-
Income tax relating to components of other comprehensive income	<u>290</u>	<u>-</u>	<u>(205)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>59,509</u>	<u>1</u>	<u>(74,677)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 420,524</u>	<u>5</u>	<u>\$ 126,938</u>	<u>2</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 361,048	4	\$ 201,615	2
Non-controlling interests	<u>(33)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 361,015</u>	<u>4</u>	<u>\$ 201,615</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 420,569	5	\$ 126,938	2
Non-controlling interests	<u>(45)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 420,524</u>	<u>5</u>	<u>\$ 126,938</u>	<u>2</u>
EARNINGS PER SHARE (Note 23)				
From continuing operations				
Basic	<u>\$4.03</u>		<u>\$2.26</u>	
Diluted	<u>\$3.91</u>		<u>\$2.22</u>	

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

(With Deloitte & Touche auditors' report dated March 21, 2014)

(Concluded)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company												
	Share Capital	Capital Surplus			Retained Earnings			Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
		Additional Paid-in Capital	Treasury Stock Transactions	Employee Share Option Plan	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
BALANCE AT JANUARY 1, 2012	\$ 892,930	\$ 328,753	\$ 22,358	\$ -	\$ 176,907	\$ -	\$ 384,995	\$ 29,775	\$ 891	\$ (10,848)	\$ 1,825,761	\$ -	\$ 1,825,761
Appropriation of the 2011 earnings (Note 20)													
Legal reserve	-	-	-	-	14,232	-	(14,232)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(89,318)	-	-	-	(89,318)	-	(89,318)
Net profit for the year ended December 31, 2012	-	-	-	-	-	-	201,615	-	-	-	201,615	-	201,615
Other comprehensive income (loss) for the year ended December 31, 2012, net of income tax	-	-	-	-	-	-	999	(74,461)	(1,215)	-	(74,677)	-	(74,677)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	-	-	202,614	(74,461)	(1,215)	-	126,938	-	126,938
Issue of ordinary shares under employee share options	2,870	(813)	-	-	-	-	-	-	-	-	2,057	-	2,057
Reissue of treasury shares (Notes 4, 20 and 24)	-	-	6,926	-	-	-	-	-	-	10,848	17,774	-	17,774
BALANCE AT DECEMBER 31, 2012	895,800	327,940	29,284	-	191,139	-	484,059	(44,686)	(324)	-	1,883,212	-	1,883,212
Appropriation of the 2012 earnings (Note 20)													
Legal reserve	-	-	-	-	20,597	-	(20,597)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	56,117	(56,117)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(116,454)	-	-	-	(116,454)	-	(116,454)
Net profit for the year ended December 31, 2013	-	-	-	-	-	-	361,048	-	-	-	361,048	(33)	361,015
Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax	-	-	-	-	-	-	(1,416)	63,116	(2,179)	-	59,521	(12)	59,509
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	-	359,632	63,116	(2,179)	-	420,569	(45)	420,524
Issue of ordinary shares under employee share options	870	(311)	-	-	-	-	-	-	-	-	559	-	559
Share-based payment (Notes 4 and 24)	-	-	-	7,134	-	-	-	-	-	-	7,134	-	7,134
Additional non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	1,432	1,432
BALANCE AT DECEMBER 31, 2013	<u>\$ 896,670</u>	<u>\$ 327,629</u>	<u>\$ 29,284</u>	<u>\$ 7,134</u>	<u>\$ 211,736</u>	<u>\$ 56,117</u>	<u>\$ 650,523</u>	<u>\$ 18,430</u>	<u>\$ (2,503)</u>	<u>\$ -</u>	<u>\$ 2,195,020</u>	<u>\$ 1,387</u>	<u>\$ 2,196,407</u>

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

(With Deloitte & Touche auditors' report dated March 21, 2014)

KWONG LUNG ENTERPRISE 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	\$ 469,095	\$ 290,375
Adjustments for:		
Reversal of impairment loss on trade receivables	(20)	(1,445)
Depreciation expenses	128,233	133,460
Amortization expenses	15,029	11,022
Amortization of prepayments for lease	2,779	2,740
Compensation cost of employee share options	7,134	7,755
Finance costs	39,421	35,607
Interest income	(1,717)	(3,133)
Dividend income	(1,891)	(1,891)
Write-down of inventories	15,147	-
Reversal of write-down of inventories	-	(23,595)
Share of profit or loss of associates and joint ventures	(2,701)	(3,089)
(Gain) loss on disposal of property, plant and equipment	325	(349)
Loss on disposal of intangible assets	-	335
Net gain on fair value change of financial assets held for trading	(42,346)	(64,683)
Net gain on foreign currency exchange	(2,134)	(14,501)
Changes in operating assets and liabilities		
(Increase) decrease in derivative financial assets held for trading	64,606	(19,591)
Decrease in notes receivable	62,394	6,649
(Increase) decrease in trade receivables	131,958	(49,135)
Increase in other receivables	(2,726)	(8,750)
(Increase) decrease in inventories	(453,115)	262,394
Decrease in prepayments	9,768	132,055
(Increase) decrease in other current assets	(74,691)	43,247
Decrease in notes payable	(2,990)	(1,649)
Increase (decrease) in trade payables	206,809	(501,312)
Increase in other payables	5,275	52,220
Decrease in accrued pension liabilities	(6,328)	(2,019)
Decrease in other current liabilities	(10,249)	(2,083)
Decrease in other operating assets	-	2,488
Cash generated from operations	557,065	283,122
Interest received	1,717	3,133
Interest paid	(40,328)	(34,823)
Income tax paid	(45,979)	(65,664)
Net cash generated from operating activities	472,475	185,768
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of debt investments with no active market	-	2,387
Dividend received from associates	1,891	1,891
Payments for property, plant and equipment	(103,151)	(80,834)
Payments for intangible assets	(22,235)	(14,217)

(Continued)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2013	2012
Increase in prepayments for lease	\$ (1,130)	\$ -
Proceeds from disposal of property, plant and equipment	26,196	5,193
Decrease in refundable deposits	<u>504</u>	<u>6,528</u>
Net cash generated from (used in) investing activities	<u>(97,925)</u>	<u>(79,052)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from reissue of treasury shares	-	10,019
Repayments of short-term borrowings	(423,220)	(188,793)
Repayments of short-term bills payable	-	(149,855)
Proceeds from long-term borrowings	670,000	250,000
Repayments of long-term borrowings	(505,512)	(304,966)
Proceeds from guarantee deposits received	-	3,534
Refund of guarantee deposits received	(3,504)	-
Dividends paid to owners of the Company	(116,454)	(89,318)
Conversion of employee stock options	559	2,057
Increase in non-controlling interest	<u>1,432</u>	<u>-</u>
Net cash used in financing activities	<u>(376,699)</u>	<u>(467,322)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>27,718</u>	<u>(36,727)</u>
NET INCREASE (DECREASE) IN CASH	25,569	(397,333)
CASH AT THE BEGINNING OF THE YEAR	<u>366,161</u>	<u>763,494</u>
CASH AT THE END OF THE YEAR	<u>\$ 391,730</u>	<u>\$ 366,161</u>

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

(With Deloitte & Touche auditors' report dated March 21, 2014)

(Concluded)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

The Company was incorporated in February 1966 under the Company Law and related regulation of the Republic of China (ROC). The Company mainly manufactures and sells various feather products including apparel, down and bedding.

The Company's shares have been traded on the Taiwan GreTai Securities Market since April 1999.

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 21, 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.

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

(Continued)

The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC	Effective Date Announced by IASB (Note)
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
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

(Concluded)

The New IFRSs Not Included in the 2013 IFRSs Version	Effective Date Announced by IASB (Note)
IFRS 9 “Financial Instruments”	Not yet effective
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	Not yet effective
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

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

- 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.

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

- a) IFRS 10 "Consolidated Financial Statements"

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

- b) IFRS 12 "Disclosure of Interests in Other Entities"

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

- c) Revision to IAS 28 "Investments in Associates and Joint Ventures"

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

Under revised IAS 28, when an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest. Under current IAS 28, on the loss of joint control, the Group measures at fair value any investment the Group retains in the former jointly controlled entity. The Group recognizes in profit or loss any difference between the aggregate amounts of fair value of retained investment and proceeds from disposing of the part interest in the jointly controlled entity, and the carrying amount of the investment at the date when joint control is lost.

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.

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

As of the date 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 completed.

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 34 for the impact of IFRS conversion on the Group’s consolidated financial statements.

a. Statement of compliance

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

b. Basis of preparation

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

The opening consolidated balance sheet as of the date of transition to IFRSs was prepared in accordance with IFRS 1 “First-time Adoption of International Financial Reporting Standards”. The applicable IFRSs have been applied retrospectively by the Group except for some aspects where IFRS 1 prohibits retrospective application or grants optional exemptions to this general principle. For the exemptions that the Group elected, refer to Note 34.

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

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

Attribution of total comprehensive income to non-controlling interests

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.

Changes in the Group's ownership interests in existing subsidiaries

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

2) Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership		
			December 31, 2013	December 31, 2012	January 1, 2012
The Company	Kwong Lung Feather (B.V.I.) Limited	Overseas reinvested holding company	100	100	100
	Kwong Lung Meko Co., Ltd.	Manufacturing and selling of down and bedding	100	100	100
	Kwong Lung Japan Co., Ltd.	Manufacturing and selling of down and bedding	100	100	100
	Bo Hsing Enterprise Co., Ltd.	Manufacturing and selling of apparel	100	100	100
	Toptex Garment Co., Ltd.	Manufacturing and selling of apparel	100	100	100
	Kwong Lung Vietnam Co., Ltd.	Manufacturing and selling of apparel	100	100	100
	Nepheles Co., Ltd.	Manufacturing, exporting, importing and selling clothing	90	-	-
Kwong Lung Feather (B.V.I.) Limited	Snowdown Merchandise (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding	100	100	100
Snowdown Merchandise (Suzhou) Co., Ltd.	Garland Sportswear Co., Ltd.	Manufacturing and selling of apparel	100	100	100

3) Subsidiaries excluded from consolidated financial statements: None.

e. Foreign currencies

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

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

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

Non-monetary items that are measured 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 are 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 appropriate).

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.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods, work-in-process, goods in subcontractor and merchandise 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

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which ventures have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a jointly controlled entity 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 jointly controlled entity. The Group also recognizes the changes in the Group's share of equity of jointly controlled entity attributable to the Group.

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

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of a jointly controlled entity recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the 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 joint control. 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 jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that jointly controlled entity 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 jointly controlled entity, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity 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.

Freehold land is not depreciated.

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. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

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 other than goodwill

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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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.

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

ii. Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. 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, notes receivable, cash, 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.

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, notes receivable and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss 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, notes receivable 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, notes receivable 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.

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 held for trading.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 27.

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) 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.

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.

1. 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) 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.

m. 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.

n. Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

o. 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.

p. Share-based payment arrangements

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

At the end of each reporting period, the Group revises its estimate of the number of equity instruments 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.

q. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward 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 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 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. 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.

b. 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.

c. Impairment of investment in the jointly controlled entity

The Group immediately recognizes impairment loss on its net investment in the jointly controlled entity when there is any indication that the investment 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 expected to be generated by the jointly controlled entity, including growth rate of sale and capacity of production facilities estimated by the jointly controlled entity's management. The Group also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

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.

6. CASH

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	\$ 1,781	\$ 4,337	\$ 8,584
Checking accounts and demand deposits	<u>389,949</u>	<u>361,824</u>	<u>754,910</u>
	<u>\$ 391,730</u>	<u>\$ 366,161</u>	<u>\$ 763,494</u>

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

	December 31, 2013	December 31, 2012	January 1, 2012
Bank balance	0.0001%-2%	0.0001%-2%	0.0001%-2%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Financial assets at FVTPL - current</u>			
Financial assets held for trading			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 42,423</u>	<u>\$ 64,683</u>	<u>\$ 7,546</u>
			(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	\$ -	\$ -	\$ 27,137 (Concluded)

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

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2013</u>			
Buy	NTD/EUR	2014.02.12-2014.04.14	NTD117,824/EUR3,000
Sell	USD/CNY	2014.01.28-2014.12.31	USD30,000/CNY186,330
Sell	JPY/NTD	2014.01.27-2014.04.02	JPY570,000/NTD180,692
<u>December 31, 2012</u>			
Buy	NTD/EUR	2013.01.07-2013.05.13	NTD202,573/EUR5,500
Sell	USD/CNY	2013.01.18-2013.08.20	USD13,000/CNY83,416
Sell	JPY/NTD	2013.02.19-2013.06.27	JPY1,294,000/NTD485,048
<u>January 1, 2012</u>			
Buy	NTD/EUR	2012.01.17-2012.04.16	NTD158,920/EUR4,000
Buy	JPY/USD	2012.04.16	JPY167,240/USD2,000
Sell	USD/NTD	2012.04.23-2012.09.04	USD14,000/NTD418,780
Sell	JPY/NTD	2012.01.17-2012.07.20	JPY1,211,000/NTD455,337
Sell	USD/CNY	2012.01.31-2012.12.26	USD24,000/CNY152,001

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.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Non-current</u>			
Domestic investments			
Listed shares and emerging market shares	\$ 34,986	\$ 37,165	\$ 38,380

9. FINANCIAL ASSETS MEASURED AT COST

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Non-current</u>			
Domestic unlisted common shares	\$ 35,095	\$ 35,095	\$ 35,095
Classified according to financial asset measurement categories			
Available-for-sale financial assets	\$ 35,095	\$ 35,095	\$ 35,095

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

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Notes receivable</u>			
Notes receivable - operating	\$ 115,573	\$ 177,967	\$ 202,665
Less: Allowance for doubtful accounts	-	-	(18,049)
Allowance for impairment loss	-	(13)	(47)
	<u>\$ 115,573</u>	<u>\$ 177,954</u>	<u>\$ 184,569</u>
<u>Trade receivables</u>			
Trade receivables	\$ 567,803	\$ 698,590	\$ 650,108
Less: Allowance for impairment loss	<u>(5,561)</u>	<u>(5,412)</u>	<u>(7,010)</u>
	<u>\$ 562,242</u>	<u>\$ 693,178</u>	<u>\$ 643,098</u>

a. Notes receivable, trade receivables and other receivables

The average credit period on sales of goods was 180 days. No interest was charged on notes receivable, trade receivables and other receivables for the first 180 days from the date of the invoice. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all overdue notes receivable and receivables past due beyond 365 days because historical experience had been that notes receivable that are overdue, and receivables that are past due beyond 365 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.

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

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

	December 31, 2013	December 31, 2012	January 1, 2012
Less than 30 days	\$ 35,166	\$ 16,089	\$ 31,807
30-60 days	3,858	15,224	3,969
61-120 days	334	1,111	7,507
More than 121 days	<u>599</u>	<u>19</u>	<u>675</u>
	<u>\$ 39,957</u>	<u>\$ 32,443</u>	<u>\$ 43,958</u>

The above aging schedule was based on the past due date.

Movements in the allowance for impairment loss recognized on notes receivable, trade receivables and other receivables were as follows:

	For the Year Ended December 31						
	2013				2012		
	Notes Receivable	Trade Receivables	Other Receivables	Total	Notes Receivable	Trade Receivables	Total
Balance at January 1	\$ 13	\$ 5,412	\$ -	\$ 5,425	\$ 47	\$ 7,010	\$ 7,057
Add: Impairment losses recognized on receivables	-	-	2	2	-	-	-
Less: Impairment losses reversed	(13)	(9)	-	(22)	(34)	(1,411)	(1,445)
Effect of exchange rate changes	<u>-</u>	<u>158</u>	<u>-</u>	<u>158</u>	<u>-</u>	<u>(187)</u>	<u>(187)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 5,561</u>	<u>\$ 2</u>	<u>\$ 5,563</u>	<u>\$ 13</u>	<u>\$ 5,412</u>	<u>\$ 5,425</u>

The Group recognized impairment loss on trade receivables amounting to \$1,218 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively. These amounts mainly related to customers that were in severe financial difficulties. The Group did not hold any collateral over the balances.

b. Other receivables

	December 31, 2013	December 31, 2012	January 1, 2012
Sale of raw materials	\$ 11,313	\$ 17,967	\$ 25,593
Tax refund receivables	7,778	8,787	9,977
Others	<u>48,855</u>	<u>38,344</u>	<u>20,790</u>
	<u>\$ 67,946</u>	<u>\$ 65,098</u>	<u>\$ 56,360</u>

11. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Merchandise	\$ 163,132	\$ 183,438	\$ 93,749
Finished goods	229,476	209,542	228,083
Work in progress	1,010,882	794,536	632,272

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Raw materials and supplies	\$ 521,704	\$ 448,703	\$ 751,665
Goods to subcontractor	2,237	62,291	134,530
Inventory in transit	<u>282,906</u>	<u>73,859</u>	<u>170,869</u>
	<u>\$ 2,210,337</u>	<u>\$ 1,772,369</u>	<u>\$ 2,011,168</u> (Concluded)

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2012 was \$7,864,285 thousand and \$7,030,025 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2013 included inventory write-downs of \$15,147 thousand. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2012 included reversal of inventory write-downs of \$23,595 thousand. Previous write-downs were reversed as a result of increased selling prices in certain markets.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31, 2013	December 31, 2012	January 1, 2012
Investments in jointly controlled entities	<u>\$ 30,797</u>	<u>\$ 27,677</u>	<u>\$ 25,364</u>

At the end of the reporting period, the proportion of ownership and voting rights in jointly controlled entities held by the Group were 49%.

The summarized financial information in respect of the Group's interests in the jointly controlled entities which are accounted for using the equity method is set out below:

(In VND Thousands)

	December 31, 2013	December 31, 2012	January 1, 2012
Current assets	<u>\$ 17,096,554</u>	<u>\$ 15,230,529</u>	<u>\$ 7,763,062</u>
Non-current assets	<u>\$ 11,952,215</u>	<u>\$ 9,335,462</u>	<u>\$ 13,172,522</u>
Current liabilities	<u>\$ 6,569,495</u>	<u>\$ 4,064,287</u>	<u>\$ 2,687,841</u>
	For the Year Ended December 31		
	2013	2012	
Income recognized in profit or loss	<u>\$ 32,294,112</u>	<u>\$ 23,952,147</u>	
Expenses recognized in profit or loss	<u>\$ 30,316,543</u>	<u>\$ 21,698,185</u>	
Other comprehensive income	<u>\$ -</u>	<u>\$ -</u>	

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Utilities Equipment	Motor Vehicles	Office Equipment	Other Equipment	Property in Construction	Total
Cost									
Balance at January 1, 2012	\$ 142,765	\$ 1,062,813	\$ 712,675	\$ 8,103	\$ 30,186	\$ 19,284	\$ 224,768	\$ 31,109	\$ 2,231,703
Additions	-	7,564	34,683	237	2,298	3,687	7,978	22,574	79,021
Disposals	-	(12,656)	(15,328)	-	(408)	(260)	(5,406)	-	(34,058)
Reclassification	-	22,257	1,567	-	-	766	19,664	(44,254)	-
Effect of foreign currency exchange differences	-	(25,216)	(23,493)	-	(1,040)	(647)	(559)	(638)	(51,593)
Balance at December 31, 2012	<u>\$ 142,765</u>	<u>\$ 1,054,762</u>	<u>\$ 710,104</u>	<u>\$ 8,340</u>	<u>\$ 31,036</u>	<u>\$ 22,830</u>	<u>\$ 246,445</u>	<u>\$ 8,791</u>	<u>\$ 2,225,073</u>
Accumulated depreciation									
Balance at January 1, 2012	\$ -	\$ 319,174	\$ 483,211	\$ 4,604	\$ 15,623	\$ 10,419	\$ 135,155	\$ -	\$ 968,186
Disposals	-	(11,554)	(11,768)	-	(408)	(248)	(5,236)	-	(29,214)
Depreciation expense	-	45,175	52,014	508	3,719	4,157	27,887	-	133,460
Effect of foreign currency exchange differences	-	(1,282)	(16,179)	-	(564)	(371)	1,613	-	(16,783)
Balance at December 31, 2012	<u>\$ -</u>	<u>\$ 351,513</u>	<u>\$ 507,278</u>	<u>\$ 5,112</u>	<u>\$ 18,370</u>	<u>\$ 13,957</u>	<u>\$ 159,419</u>	<u>\$ -</u>	<u>\$ 1,055,649</u>
Carrying amounts at January 1, 2012	<u>\$ 142,765</u>	<u>\$ 743,639</u>	<u>\$ 229,464</u>	<u>\$ 3,499</u>	<u>\$ 14,563</u>	<u>\$ 8,865</u>	<u>\$ 89,613</u>	<u>\$ 31,109</u>	<u>\$ 1,263,517</u>
Carrying amounts at December 31, 2012	<u>\$ 142,765</u>	<u>\$ 703,249</u>	<u>\$ 202,826</u>	<u>\$ 3,228</u>	<u>\$ 12,666</u>	<u>\$ 8,873</u>	<u>\$ 87,026</u>	<u>\$ 8,791</u>	<u>\$ 1,169,424</u>
Cost									
Balance at January 1, 2013	\$ 142,765	\$ 1,054,762	\$ 710,104	\$ 8,340	\$ 31,036	\$ 22,830	\$ 246,445	\$ 8,791	\$ 2,225,073
Additions	-	22,553	3,486	-	5,833	2,875	3,757	52,669	91,173
Disposals	-	(23,527)	(62,107)	-	(4,535)	(5,086)	(4,549)	-	(99,804)
Reclassification	-	23,098	7,023	-	2,185	-	7,847	(40,153)	-
Effect of foreign currency exchange differences	-	35,723	22,605	-	1,323	346	9,187	285	69,469
Balance at December 31, 2013	<u>\$ 142,765</u>	<u>\$ 1,112,609</u>	<u>\$ 681,111</u>	<u>\$ 8,340</u>	<u>\$ 35,842</u>	<u>\$ 20,965</u>	<u>\$ 262,687</u>	<u>\$ 21,592</u>	<u>\$ 2,285,911</u>
Accumulated depreciation									
Balance at January 1, 2012	\$ -	\$ 351,513	\$ 507,278	\$ 5,112	\$ 18,370	\$ 13,957	\$ 159,419	\$ -	\$ 1,055,649
Disposals	-	(1,388)	(60,793)	-	(4,128)	(3,135)	(3,839)	-	(73,283)
Depreciation expense	-	43,324	51,546	509	3,732	3,619	25,503	-	128,233
Effect of foreign currency exchange differences	-	12,707	16,985	-	739	226	6,602	-	37,259
Balance at December 31, 2013	<u>\$ -</u>	<u>\$ 406,156</u>	<u>\$ 515,016</u>	<u>\$ 5,621</u>	<u>\$ 18,713</u>	<u>\$ 14,667</u>	<u>\$ 187,685</u>	<u>\$ -</u>	<u>\$ 1,147,858</u>
Carrying amounts at December 31, 2013	<u>\$ 142,765</u>	<u>\$ 706,453</u>	<u>\$ 166,095</u>	<u>\$ 2,719</u>	<u>\$ 17,129</u>	<u>\$ 6,298</u>	<u>\$ 75,002</u>	<u>\$ 21,592</u>	<u>\$ 1,138,053</u>

No impairment assessment was performed 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	8 to 51 years
Construction	2 to 26 years
Machinery and equipment	2 to 20 years
Utilities equipment	5 to 23 years
Motor vehicles	4 to 12 years
Office equipment	2 to 15 years
Other equipment	1 to 7 years
Air conditioning	36 to 51 years
Others	2 to 25 years

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

14. OTHER INTANGIBLE ASSETS

	Licenses	Cost of Computer Software	Total
<u>Cost</u>			
Balance at January 1, 2012	\$ 877	\$ 58,896	\$ 59,773
Additions	-	14,217	14,217
Disposals	-	(678)	(678)
Effect of foreign currency exchange differences	-	(10)	(10)
Balance at December 31, 2012	<u>\$ 877</u>	<u>\$ 72,425</u>	<u>\$ 73,302</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2012	\$ 160	\$ 8,305	\$ 8,465
Amortization expense	87	10,935	11,022
Disposals	-	(343)	(343)
Effect of foreign currency exchange differences	-	(4)	(4)
Balance at December 31, 2012	<u>\$ 247</u>	<u>\$ 18,893</u>	<u>\$ 19,140</u>
Carrying amounts at January 1, 2012	<u>\$ 717</u>	<u>\$ 50,591</u>	<u>\$ 51,308</u>
Carrying amounts at December 31, 2012	<u>\$ 630</u>	<u>\$ 53,532</u>	<u>\$ 54,162</u>
<u>Cost</u>			
Balance at January 1, 2013	\$ 877	\$ 72,425	\$ 73,302
Additions	-	22,235	22,23
Effect of foreign currency exchange differences	-	29	29
Balance at December 31, 2013	<u>\$ 877</u>	<u>\$ 94,689</u>	<u>\$ 95,566</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2013	\$ 247	\$ 18,893	\$ 19,140
Amortization expense	87	14,942	15,029
Effect of foreign currency exchange differences	-	11	11
Balance at December 31, 2013	<u>\$ 334</u>	<u>\$ 33,846</u>	<u>\$ 34,180</u>
Carrying amounts at January 1, 2013	<u>\$ 543</u>	<u>\$ 60,843</u>	<u>\$ 61,386</u>

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

Licenses	10 years
Cost of computer software	2-5 years

15. REPAYMENTS FOR LEASE OBLIGATIONS

	December 31, 2013	December 31, 2012	January 1, 2012
Current asset	\$ 2,779	\$ 2,740	\$ 2,699
Non-current asset	<u>61,273</u>	<u>60,064</u>	<u>65,174</u>
	<u>\$ 64,052</u>	<u>\$ 62,804</u>	<u>\$ 67,873</u>

As of December 31, 2103, December 31, 2012 and January 1, 2012, prepaid lease payments include land use right, which are located in Mainland China and Vietnam.

16. BORROWINGS

a. Short-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Secured borrowings (Note 29)</u>			
Bank loans	\$ 180,000	\$ 150,000	\$ 469,263
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>348,197</u>	<u>803,155</u>	<u>687,965</u>
	<u>\$ 528,197</u>	<u>\$ 953,155</u>	<u>\$ 1,157,228</u>

The range of weighted average effective interest rate on bank loans was 0.79%-3.25%, 0.71%-3.20%, and 0.72%-6.50% per annum as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

b. Short-term bills payable

	December 31, 2013	December 31, 2012	January 1, 2012
Commercial paper	\$ -	\$ -	\$ 150,000
Less: Unamortized discount on bills payable	<u>-</u>	<u>-</u>	<u>(145)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,855</u>

Outstanding short-term bills payable as follows:

December 31, 2013: None

December 31, 2012: None

January 1, 2012

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Value	Interest Rate	Collateral	The Carrying Value of Collateral
<u>Commercial paper</u>						
China Bills	\$ 50,000	\$ 37	\$ 49,963	0.81%	-	\$ -
Mega Bills	50,000	57	49,943	0.83%	-	-
Dah Chung Bills	<u>50,000</u>	<u>51</u>	<u>49,949</u>	0.85%	-	<u>-</u>
	<u>\$ 150,000</u>	<u>\$ 145</u>	<u>\$ 149,855</u>			<u>\$ -</u>

c. Long-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Secured borrowings (Note 29)</u>			
Bank loans (Note)	\$ 240,800	\$ 214,410	\$ 325,926
<u>Unsecured borrowings</u>			
Credit borrowings	<u>817,438</u>	<u>679,134</u>	<u>623,082</u>
	1,058,238	893,544	949,008
Less: Current portion	<u>(246,256)</u>	<u>(379,590)</u>	<u>(234,791)</u>
Long-term borrowings	<u>\$ 811,982</u>	<u>\$ 513,954</u>	<u>\$ 714,217</u>

Note: As of December 31, 2013, December 31, 2012 and January 1, 2012, the weighted average effective interest rate of the bank borrowings secured by the Group's freehold land and building (see Note 29) was 1.02%-1.85% per annum, 1.42%-1.85% per annum and 1.06%-1.85% per annum, respectively.

17. NOTES PAYABLE AND TRADE PAYABLES

a. Notes payable

As of December 31, 2013, December 31, 2012 and January 1, 2012, notes used for refundable deposits for the line of bank borrowing and the purchase of raw materials were \$968,300 thousand, \$981,500 thousand, and \$811,384 thousand, respectively.

b. Trade payables

The average credit period on purchases of raw materials was 30-90 days. No interest was charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

18. OTHER PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Accrued payroll	\$ 174,924	\$ 169,173	\$ 160,914
Accrued freight expense	4,812	7,423	11,856
Accrued employee benefit	23,530	23,656	16,134
Payables on equipment	707	12,685	14,498
Others	<u>115,528</u>	<u>114,285</u>	<u>72,206</u>
	<u>\$ 319,501</u>	<u>\$ 327,222</u>	<u>\$ 275,608</u>

19. 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 are members of a state-managed retirement benefit plan operated by the government. 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 3.41% and 6.92% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee in 2013 and 2012 respectively. 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	2.00%	1.50%	1.75%
Expected return on plan assets	1.75%	1.75%	2.00%
Expected rates of salary increase	3.00%	3.00%	3.00%

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	\$ 1,954	\$ 2,746
Interest cost	1,498	2,088
Expected return on plan assets	<u>(987)</u>	<u>(1,466)</u>
	<u>\$ 2,465</u>	<u>\$ 3,368</u>
An analysis by function		
Operating cost	\$ 379	\$ 573
Marketing expenses	1,165	2,359
Administration expenses	621	231
Research and development expenses	<u>300</u>	<u>205</u>
	<u>\$ 2,465</u>	<u>\$ 3,368</u>

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012 was \$(1,416) thousand and \$999 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2013 and 2012 was \$(417) thousand and \$999 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	\$ 72,657	\$ 100,239	\$ 119,904
Fair value of plan assets	<u>(31,322)</u>	<u>(54,282)</u>	<u>(70,724)</u>
Net liability arising from defined benefit obligation	<u>\$ 41,335</u>	<u>\$ 45,957</u>	<u>\$ 49,180</u>

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	\$ 100,239	\$ 119,904
Current service cost	1,954	2,746
Interest cost	1,498	2,088
Actuarial losses/(gains)	1,358	(2,076)
Benefits paid	<u>(32,392)</u>	<u>(22,423)</u>
Closing defined benefit obligation	<u>\$ 72,657</u>	<u>\$ 100,239</u>

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	\$ 54,282	\$ 70,724
Expected return on plan assets	987	1,466
Actuarial losses/(gains)	(348)	(872)
Contributions from the employer	2,393	5,387
Benefits paid	<u>(25,992)</u>	<u>(22,423)</u>
Closing fair value of plan assets	<u>\$ 31,322</u>	<u>\$ 54,282</u>

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

	December 31, 2013	December 31, 2012	January 1, 2012
Cash	23	25	24
Short-term bills	4	10	8
Bonds	9	10	11
Stock and investment of beneficiary certificates (including futures)	9	9	10
Domestic investment	34	27	24
Others	<u>21</u>	<u>19</u>	<u>23</u>
	<u>100</u>	<u>100</u>	<u>100</u>

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 (Notes 35):

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	<u>\$ (72,657)</u>	<u>\$ (100,239)</u>	<u>\$ (119,904)</u>
Fair value of plan assets	<u>\$ 31,322</u>	<u>\$ 54,282</u>	<u>\$ 70,724</u>
Deficit	<u>\$ (41,335)</u>	<u>\$ (45,957)</u>	<u>\$ (49,180)</u>
Experience adjustments on plan liabilities	<u>\$ (5,732)</u>	<u>\$ 6,767</u>	<u>\$ -</u>
Experience adjustments on plan assets	<u>\$ (348)</u>	<u>\$ (872)</u>	<u>\$ -</u>

The Group expects to make a contribution of \$2,400 thousand and \$2,700 thousand, respectively to the defined benefit plans during the annual period beginning after 2013 and 2012.

20. EQUITY

a. Share capital

Ordinary shares

	December 31, 2013	December 31, 2012	January 1, 2012
Numbers of shares authorized (in thousands)	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>
Shares authorized	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>
Number of shares issued and fully paid (in thousands)	<u>89,667</u>	<u>89,580</u>	<u>89,293</u>
Shares issued	<u>\$ 896,670</u>	<u>\$ 895,800</u>	<u>\$ 892,930</u>

The movement of ordinary shares is the issue of ordinary shares under employee share options.

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

b. Capital surplus

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares 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

The Company's Articles of Incorporation provide that 10% of the annual net income (less any deficit) should be appropriated as legal reserve. A special reserve should be provided in accordance with relevant regulations, and the appropriations of the remainder should be resolved by the board of directors and then submitted in the shareholders' meeting for approval. These appropriations should include more than 20% as cash dividends, more than 1% as employees' bonus and less than 5% as remuneration to directors and supervisors.

For the years ended December 31, 2013 and 2012, the bonus to employees was \$30,000 thousand and \$15,000 thousand, respectively, and the remuneration to directors and supervisors was \$8,000 thousand and \$6,000 thousand, respectively. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the fair value of the shares. For the calculation of the number of shares, the fair value of the shares refer to the closing price (after considering the effect of cash and share dividends) of the shares on the day immediately preceding the shareholders' meeting (applicable to quoted shares).

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

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

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the 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 20, 2013 and June 28, 2012, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2012	2011	2012	2011
Legal reserve	\$ 20,597	\$ 14,232		
Special reserve	56,117	-		
Cash dividends	116,454	89,318	\$1.3	\$1.0

Bonuses to employees and remuneration to directors and supervisors for 2012 and 2011 approved in the shareholders' meetings on June 20, 2013 and June 28, 2012, respectively, were as follows:

	For the Year Ended December 31	
	2012	2011
	Cash Dividends	Cash Dividends
Bonus to employees	\$ 15,000	\$ 8,000
Remuneration of directors and supervisors	6,000	4,000

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

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 21, 2014. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 36,105	
Reversal of special reserve	(56,117)	
Cash dividends	269,001	\$3

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 17, 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.

d. Special reserves appropriated following first-time adoption of IFRSs

The Company had a decrease in retained earnings that resulted from all IFRSs adjustments; therefore, no special reserve was appropriated.

e. Non-controlling interests

	<u>For the Year Ended December 31</u>	
	2013	2012
Balance at January 1	\$ -	\$ -
Non controlling interest arising from acquisition of subsidiaries	1,432	-
Attributable to non-controlling interests:		
Share of loss for the year	(33)	-
Exchange difference of financial statement of foreign operations	(12)	-
	<u>\$ 1,387</u>	<u>\$ -</u>

f. Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2012	1,000
Increase during the year	-
Decrease during the year	<u>(1,000)</u>
Number of shares at December 31, 2012	<u>-</u>
Number of shares at January 1, 2013	-
Increase during the year	-
Decrease during the year	<u>-</u>
Number of shares at December 31, 2013	<u>-</u>

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Net profit from continuing operating

1) Other income

	<u>For the Year Ended December 31</u>	
	2013	2012
Interest income		
Bank deposits	\$ 1,717	\$ 3,133
Dividends	1,891	1,891
Government grant	<u>1,695</u>	<u>7,482</u>
	<u>\$ 5,303</u>	<u>\$ 12,506</u>

2) Other gains and losses

	<u>For the Year Ended December 31</u>	
	2013	2012
Net foreign exchange losses	\$ (56,746)	\$ (53,502)
Net gain arising on financial assets designated as at FVTPL	42,346	64,683
Gain on disposal of financial instrument designated as at FVTPL	58,428	26,045
Others	<u>20,324</u>	<u>(31,127)</u>
	<u>\$ 64,352</u>	<u>\$ 6,099</u>

3) Finance costs

For the Year Ended December 31
2013 2012

Interest on bank loans	\$ <u>39,421</u>	\$ <u>35,607</u>
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4) Depreciation and amortization

For the Year Ended December 31
2013 2012

Property, plant and equipment	\$ 128,233	\$ 133,460
Intangible assets (included in operating costs and expense)	<u>15,029</u>	<u>11,022</u>
	<u>\$ 143,262</u>	<u>\$ 144,482</u>

An analysis of deprecation by function		
Operating costs	\$ 90,941	\$ 103,388
Operating expenses	<u>37,292</u>	<u>30,072</u>
	<u>\$ 128,233</u>	<u>\$ 133,460</u>

An analysis of amortization by function		
Operating costs	\$ -	\$ 161
Operating expenses	<u>15,029</u>	<u>10,861</u>
	<u>\$ 15,029</u>	<u>\$ 11,022</u>

5) Employee benefits expense

For the Year Ended December 31
2013 2012

Post-employment benefits (see Note 19)		
Defined contribution plans	\$ 24,905	\$ 27,290
Defined benefit plans	<u>2,465</u>	<u>3,368</u>
	<u>27,370</u>	<u>30,658</u>

Share-based payments		
Equity-settled share-based payments (see Note 24)	<u>7,134</u>	<u>7,755</u>
Other employee benefits	<u>975,461</u>	<u>977,016</u>

Total employee benefits expense	\$ <u>1,009,965</u>	\$ <u>1,015,429</u>
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An analysis of employee benefits expense by function		
Operating costs	\$ 620,258	\$ 665,062
Operating expenses	<u>389,707</u>	<u>350,367</u>
	<u>\$ 1,009,965</u>	<u>\$ 1,015,429</u>

6) Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2013	2012
Foreign exchange gains	\$ 209,493	\$ 124,457
Foreign exchange losses	<u>(266,239)</u>	<u>(177,959)</u>
	<u>\$ (56,746)</u>	<u>\$ (53,502)</u>

7) Impairment losses on non-financial assets

	For the Year Ended December 31	
	2013	2012
Inventories (included in operating costs)	<u>\$ 15,147</u>	<u>\$ -</u>

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	For the Year Ended December 31	
	2013	2012
Current tax		
In respect of the current year	\$ 87,297	\$ 40,546
Income tax expense of unappropriated earnings	1,280	3,877
In respect of prior periods	<u>(4,075)</u>	<u>-</u>
	84,502	44,423
Deferred tax		
In respect of the current year	<u>23,578</u>	<u>44,337</u>
Income tax expense recognized in profit or loss	<u>\$ 108,080</u>	<u>\$ 88,760</u>

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

	For the Year Ended December 31	
	2013	2012
Profit before tax from continuing operations	<u>\$ 469,095</u>	<u>\$ 290,375</u>
Income tax expense calculated at the statutory rate	\$ 79,746	\$ 49,364
Nondeductible expenses in determining taxable income	(353)	2,188
Deferred tax on undistributed earnings from subsidiary	35,415	43,068
Tax-exempt income	(322)	(321)
Additional income tax on unappropriated earnings	1,280	3,877
Effect of different tax rate of group entities operating in other jurisdictions	(3,611)	(9,416)
Adjustments for prior years' tax	<u>(4,075)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 108,080</u>	<u>\$ 88,760</u>

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.

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
<u>Deferred tax</u>		
In respect of the current year:		
Actuarial gains and losses on defined benefit plan	\$ <u>(290)</u>	\$ <u>205</u>

c. Current tax assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Current tax liabilities			
Income tax payable	\$ <u>60,142</u>	\$ <u>21,619</u>	\$ <u>42,860</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Loss on market price decline and obsolete and slow-moving inventories	\$ 8,493	\$ (2,287)	\$ -	\$ -	\$ 6,206
Exchange difference on foreign operations	8,128	(1,924)	-	-	6,204
Unrealized intercompany gain	1,223	(260)	-	-	963
Defined benefit obligation	7,742	50	290	-	8,082
Payable for annual leave	<u>4,022</u>	<u>(22)</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
	29,608	(4,443)	290	-	25,455
Loss carryforward	<u>5,080</u>	<u>(5,080)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>34,688</u>	\$ <u>(9,523)</u>	\$ <u>290</u>	\$ <u>-</u>	\$ <u>25,455</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Exchange difference on foreign operations	\$ (3,893)	\$ 1,706	\$ -	\$ -	(\$ 2,187)
Financial assets measured at FVTPL	(10,996)	4,710	-	-	(6,286)
Doubtful debts	(141)	-	-	-	(141)
Unappropriated earnings of subsidiaries	<u>(68,918)</u>	<u>(20,471)</u>	<u>-</u>	<u>-</u>	<u>(89,389)</u>
	\$ <u>(83,948)</u>	\$ <u>(14,055)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(98,003)</u>

For the year ended December 31, 2012

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Loss on market price decline and obsolete and slow-moving inventories	\$ 5,801	\$ 2,692	\$ -	\$ -	\$ 8,493
Exchange difference on foreign operations	3,204	4,924	-	-	8,128
Unrealized intercompany gain	1,509	(286)	-	-	1,223
Financial liabilities measured at FVTPL	4,606	(4,606)	-	-	-
Defined benefit obligation	8,269	(322)	(205)	-	7,742
Payable for annual leave	2,743	1,279	-	-	4,022
Others	31	(31)	-	-	-
	26,163	3,650	(205)	-	29,608
Loss carryforward	-	5,080	-	-	5,080
	<u>\$ 26,163</u>	<u>\$ 8,730</u>	<u>\$ (205)</u>	<u>\$ -</u>	<u>\$ 34,688</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Exchange difference on foreign operations	\$ (6,043)	\$ 2,150	\$ -	\$ -	\$ (3,893)
Financial assets measured at FVTPL	(312)	(10,684)	-	-	(10,996)
Doubtful debts	(141)	-	-	-	(141)
Unappropriated earnings of subsidiaries	(24,354)	(44,564)	-	-	(68,918)
Others	(31)	31	-	-	-
	<u>\$ (30,881)</u>	<u>\$ (53,067)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (83,948)</u>

- e. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31, 2013	December 31, 2012	January 1, 2012
Deductible temporary differences	<u>\$ 57,173</u>	<u>\$ 53,699</u>	<u>\$ 85,085</u>

- f Integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	\$ -	\$ -	\$ -
Unappropriated earnings generated on and after January 1, 1998	<u>650,523</u>	<u>484,059</u>	<u>384,995</u>
	<u>\$ 650,523</u>	<u>\$ 484,059</u>	<u>\$ 384,995</u>
Imputation credit accounts	<u>\$ 43,734</u>	<u>\$ 69,444</u>	<u>\$ 57,746</u>

The creditable ratio for distribution of earnings of 2013 and 2012 was 14.45% (expected ratio) and 14.90%, 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

g. Income tax assessments

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

23. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2013	2012
Profit for the period attributable to owners of the Company	<u>\$ 361,048</u>	<u>\$ 201,615</u>

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

	For the Year Ended December 31	
	2013	2012
Weighted average number of ordinary shares in computation of basic earnings per share	89,623	89,386
Effect of potentially dilutive ordinary shares:		
Employee share option	1,786	333
Bonus issue to employees	<u>1,012</u>	<u>942</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>92,421</u>	<u>90,661</u>

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.

24. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Company

Qualified employees of the Company and its subsidiaries were granted 7,407 options in December 2003 and 3,000 options in September 2007. Each option entitles the holder to subscribe for one thousand common shares of the Company. The options granted are valid for 10 years and 6 years exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's common shares listed on the GreTai Securities Market on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	2013				2012			
	Granted	2003	Granted	2007	Granted	2003	Granted	2007
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	357	\$ 6.36	30	\$ 6.56	493	\$ 7.36	181	\$ 7.56
Options exercised	(57)	6.36	(30)	6.56	(136)	6.99	(151)	7.32
Options expired	(300)	6.36	-	-	-	-	-	-
Balance at December 31	<u>=</u>	-	<u>=</u>	-	<u>357</u>	6.36	<u>30</u>	6.56
Options exercisable, end of period	<u>=</u>	-	<u>=</u>	-	<u>357</u>	6.36	<u>30</u>	6.56
Weighted-average fair value of options granted (\$)	<u>\$ =</u>	-	<u>\$ =</u>	-	<u>\$ =</u>	-	<u>\$ =</u>	-

The weighted-average share prices at the date of exercise of share options for the year ended December 31, 2013 and 2012 were \$20.80 and \$19.88, respectively.

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

	December 31, 2013		December 31, 2012		January 1, 2012	
	Granted 2003	Granted 2007	Granted 2003	Granted 2007	Granted 2003	Granted 2007
Range of exercise price (NT\$)	\$ -	\$ -	\$ 6.36	\$ 6.56	\$ 7.36	\$ 7.56
Weighted-average remaining contractual life (years)	-	-	0.92	0.68	1.92	1.68

b. Employee share option plan of the Company

Qualified employees of the Company and its subsidiaries were granted 6,000 options in June 2013. Each option entitles the holder to subscribe for one thousand common shares of the Company. The options granted are valid for 6 years exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's common shares listed on the on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

A total of 5,485 options have been granted as of December 31, 2013

Information on employee share options was as follows:

	<u>2013</u>	<u>2012</u>
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	-	\$ -
Options granted	5,485	21.30
Options forfeited	<u>(288)</u>	20.54
Balance at December 31	<u>5,197</u>	20.50
Options exercisable, end of period	<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ 6.57</u>	

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

	December 31, 2013
Range of exercise price (NT\$)	\$20.50
Weighted-average Remaining contractual life (years)	5.46

Options granted in June 2013 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	June 2013
Grant-date share price (\$)	\$21.3
Exercise price (\$)	\$21.3
Expected volatility	36.55%
Expected life (years)	4.25 years
Expected dividend yield	0.00%
Risk-free interest rate	0.99%

Expected volatility was based on the historical share price volatility.

Compensation cost recognized was \$7,134 thousand for year ended December 31, 2013.

- c. Compensation cost recognized on reissue of treasury shares was \$7,755 thousand for the year ended December 31, 2012.

25. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

Operating leases relate to leases of warehouses with lease terms within 5 years. The Group does not have a bargain purchase option to acquire the leased land at the expiration of the lease periods.

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

(In Thousands of JPY)

	December 31, 2013	December 31, 2012	January 31, 2012
Not later than 1 year	\$ 16,855	\$ 16,855	\$ 16,855
Later than 1 year and not later than 5 years	<u>14,238</u>	<u>31,093</u>	<u>47,948</u>
	<u>\$ 31,093</u>	<u>\$ 47,948</u>	<u>\$ 64,803</u>

26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2012.

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

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

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

Management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

2) Fair value measurements recognized in the consolidated balance sheets

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

- a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) 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
- c) 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
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 42,423</u>	<u>\$ -</u>	<u>\$ 42,423</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	<u>\$ 34,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,986</u>

December 31, 2012

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 64,683</u>	<u>\$ -</u>	<u>\$ 64,683</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	<u>\$ 37,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,165</u>

January 1, 2012

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 7,546</u>	<u>\$ -</u>	<u>\$ 7,546</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	<u>\$ 38,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,380</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ 27,137</u>	<u>\$ -</u>	<u>\$ 27,137</u>

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

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

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

- a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- b) The fair values of derivative instruments were calculated using quoted prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

- c) The fair values of other financial assets and financial liabilities (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
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Derivative instruments	\$ 42,423	\$ 64,683	\$ 7,546
Loans and receivables (1)	1,085,701	1,255,353	1,619,432
Available-for-sale financial assets (2)	70,081	72,260	73,475
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Derivative instruments	-	-	27,137
Amortized cost (3)	2,315,913	2,334,343	3,255,271

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash, debt investments with no active market, notes receivable, trade and other receivables.
- 2) The balances included the carrying amount of available-for-sale financial assets measured at cost.
- 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.

c. Financial risk management objectives and policies

The Group's major financial instruments include trade receivable, other receivables, trade payables, other payables and borrowings. 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 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. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (1) below) and interest rates (see (2) below). The Group entered into forward foreign exchange contracts to manage its exposure to foreign currency risk and interest rate risk.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are set out in Note 32.

Sensitivity analysis

The Group was mainly exposed to the USD, JPY and EUR.

The following table details the Group's sensitivity to a 3% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. A sensitivity rate of 3% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts which were not designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 3% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with New Taiwan dollars strengthening by 3% against the relevant currency. For a 3% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact		JPY Impact		EUR Impact	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2013	2012	2013	2012	2013	2012
Profit or loss						
(i)	\$ (18,521)	\$ (28,089)	\$ 4,884	\$ 557	\$ (615)	\$ 10,781

- i. This was mainly attributable to the exposure on outstanding foreign currency cash, trade receivables, other receivables, borrowings, accounts payable, and other payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

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

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

	December 31, 2013	December 31, 2012	January 1, 2012
Fair value interest rate risk			
Financial assets	\$ -	\$ -	\$ -
Financial liabilities	338,777	632,617	627,300
Cash flow interest rate risk			
Financial assets	343,894	350,900	728,560
Financial liabilities	1,247,658	1,214,082	1,628,791

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2013 and 2012 would decrease/increase by \$4,519 thousand and \$4,316 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. The Group does not actively trade these investments. The Group's equity price risk was mainly concentrated on equity instruments operating in the ROC.

Sensitivity analysis

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

If equity prices had been 10% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2013 and 2012 would increase/decrease by \$3,499 thousand and \$3,717 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

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 to the extent of the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

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

The Group did not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Group had available unutilized short-term bank loan facilities in the amounts of \$5,106,441 thousand, \$5,069,858 thousand and \$3,967,787 thousand, respectively.

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

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

December 31, 2013

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 473,355	\$ 181,754	\$ 73,762	\$ -
Variable interest rate liabilities	39,677	20,260	480,343	743,467
Fixed interest rate liabilities	<u>53,527</u>	<u>35,669</u>	<u>167,024</u>	<u>87,334</u>
	<u>\$ 566,559</u>	<u>\$ 237,683</u>	<u>\$ 721,129</u>	<u>\$ 830,801</u>

December 31, 2012

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 359,078	\$ 121,620	\$ 6,946	\$ -
Variable interest rate liabilities	66,949	80,256	489,539	527,807
Fixed interest rate liabilities	<u>182,733</u>	<u>121,804</u>	<u>400,704</u>	<u>50,963</u>
	<u>\$ 608,760</u>	<u>\$ 323,680</u>	<u>\$ 897,189</u>	<u>\$ 578,770</u>

January 1, 2012

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 805,102	\$ 186,441	\$ 7,637	\$ -
Variable interest rate liabilities	397	220,003	785,323	969,492
Fixed interest rate liabilities	<u>171,419</u>	<u>3,909</u>	<u>178,810</u>	<u>-</u>
	<u>\$ 976,918</u>	<u>\$ 410,353</u>	<u>\$ 971,770</u>	<u>\$ 969,492</u>

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

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2013

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>					
Foreign exchange - inflows forward contracts	<u>\$ 6,431</u>	<u>\$ 17,019</u>	<u>\$ 16,194</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2012

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>					
Foreign exchange - inflows forward contracts	\$ <u>3,231</u>	\$ <u>16,122</u>	\$ <u>47,211</u>	\$ <u>-</u>	\$ <u>-</u>

January 1, 2012

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>					
Foreign exchange - outflows forward contracts	\$ <u>3,357</u>	\$ <u>8,235</u>	\$ <u>12,145</u>	\$ <u>-</u>	\$ <u>-</u>

28. TRANSACTIONS WITH RELATED PARTIES

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

a. Manufacturing overhead

	<u>For the Year Ended December 31</u>	
	2013	2012
Joint ventures	\$ <u>91,273</u>	\$ <u>91,025</u>

b. Payables to related parties

	December 31, 2013	December 31, 2012	January 1, 2012
Joint ventures	\$ <u>11,020</u>	\$ <u>14,383</u>	\$ <u>6,510</u>

The outstanding trade payables to related parties are unsecured.

c. Compensation of key management personnel

	For the Year Ended December 31	
	2013	2012
Short-term employee benefits	\$ 38,758	\$ 28,623
Post-employment benefits	376	457
Share-based payments	<u>1,746</u>	<u>-</u>
	<u>\$ 40,880</u>	<u>\$ 29,080</u>

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, usance Letters of Credit and bank loans:

	December 31, 2013	December 31, 2012	January 1, 2012
Land	\$ 140,441	\$ 140,441	\$ 140,441
Buildings	85,856	91,051	96,266
Inventories	-	-	2,936
Debt investments with no active market	<u>-</u>	<u>-</u>	<u>2,387</u>
	<u>\$ 226,297</u>	<u>\$ 231,492</u>	<u>\$ 242,030</u>

30. 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:

Significant Commitments

- As of December 31, 2013, December 31, 2012 and January 1, 2012, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately US\$1,309 thousand, US\$1,060 thousand and US\$1,281 thousand and EUR676 thousand, EUR1,685 thousand and EUR2,205 thousand, respectively.
- As of December 31, 2013, December 31, 2012 and January 1, 2012, the amount of guarantees issued by financial institutions were NT\$15,000 thousand, NT\$30,840 thousand and NT\$25,840 thousand, respectively.

31. SUBSEQUENT EVENTS

The Board of Directors proposed to invest US\$7.9 million to subsidiary, Bo Hsing Enterprise Co., Ltd., on March 21, 2014.

32. 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
<u>Financial assets</u>			
Monetary items			
USD	\$ 33,064	29.805 (USD:NTD)	\$ 985,473
USD	8,519	6.0592 (USD:CNY)	253,905
USD	5,521	21,775 (USD:VND)	164,549
JPY	1,144,593	0.2839 (JPY:NTD)	324,950
VND	14,101,856	0.000046 (VND:USD)	19,320

Financial liabilities

Monetary items			
USD	23,716	29.805 (USD:NTD)	706,859
USD	6,543	6.0592 (USD:CNY)	195,004
USD	7,343	21,775 (USD:VND)	218,870
EUR	3,511	41.09 (EUR:NTD)	144,250
VND	49,319,354	0.000046 (VND:USD)	67,568

December 31, 2012

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 25,681	29.04 (USD:NTD)	\$ 745,774
USD	92	6.2855 (USD:CNY)	2,659
USD	5,466	21,511 (USD:VND)	158,720
JPY	1,262,439	0.3364 (JPY:NTD)	424,684
JPY	9,044	0.0722 (JPY:CNY)	3,043
VND	12,828,456	0.000046 (VND:USD)	17,318

Financial liabilities

Monetary items			
USD	31,096	29.04 (USD:NTD)	903,039
USD	13,572	6.2855 (USD:CNY)	394,144
USD	5,768	21,511 (USD:VND)	167,516
EUR	3,862	38.49 (EUR:NTD)	148,654
VND	22,094,583	0.000046 (VND:USD)	29,828

January 1, 2012

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 32,254	30.275 (USD:NTD)	\$ 976,493
USD	19,163	6.3281 (USD:CNY)	580,166
USD	5,353	21,781 (USD:VND)	162,070
JPY	1,368,535	0.3906 (JPY:NTD)	534,550
JPY	934	0.0813 (JPY:CNY)	365
VND	11,876,190	0.000046 (VND:USD)	16,508

Financial liabilities

Monetary items			
USD	34,099	30.275(USD:NTD)	1,032,342
USD	20,516	6.3281 (USD:CNY)	621,119
USD	3,829	21,781 (USD:VND)	115,931
EUR	7,730	39.18 (EUR:NTD)	302,868
VND	19,171,441	0.000046 (VND:USD)	26,648

33. 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:

Apparel department - manufacturing, developing, designing and selling of apparel

Down material department - manufacturing, developing and selling of down

Home textile department - manufacturing, developing, designing and selling of bedding

OBM department - channel managing and marketing of private bedding brand

a. Segment revenues and results

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

	<u>Segment Revenue</u>		<u>Segment Profit</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Apparel department	\$ 2,378,139	\$ 2,248,255	\$ (4,529)	\$ 75,877
Down material department	4,622,850	3,579,149	270,037	171,357
Home textile department	2,393,379	2,421,969	211,872	135,804
OBM department	<u>167,919</u>	<u>169,062</u>	<u>(41,220)</u>	<u>(78,750)</u>
Segment revenues	9,562,287	8,418,435	436,160	304,288
Eliminations	<u>(468,914)</u>	<u>(348,662)</u>	<u>-</u>	<u>-</u>
Segment income	<u>\$ 9,093,373</u>	<u>\$ 8,069,773</u>	436,160	304,288
Other income			5,303	12,506

(Continued)

	Segment Revenue		Segment Profit	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2013	2012	2013	2012
Other gain or loss			\$ 64,352	\$ 6,099
Finance cost			(39,421)	(35,607)
Share of profit or loss of associates and joint ventures			<u>2,701</u>	<u>3,089</u>
Profit before tax (continuing operations)			<u>\$ 469,095</u>	<u>\$ 290,375</u> (Concluded)

Segment profit represented the profit before tax earned by each segment without allocation of share of profit or loss of associates and joint ventures, other income, other gain or loss, and finance cost. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Segment assets</u>			
Continuing operations			
Apparel department	\$ 934,578	\$ 772,147	\$ 1,153,839
Down material department	2,161,762	1,929,792	2,182,700
Home textile department	757,312	784,421	1,202,671
OBM department	<u>105,359</u>	<u>134,069</u>	<u>181,653</u>
Total segment assets	3,959,011	3,620,429	4,720,863
Other assets	<u>215,910</u>	<u>314,965</u>	<u>512,968</u>
Consolidated total assets	<u>\$ 4,174,921</u>	<u>\$ 3,935,394</u>	<u>\$ 5,233,831</u>

c. Revenue from major products and services

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

	For the Year Ended December 31	
	2013	2012
Apparel products	\$ 2,377,781	\$ 2,248,255
Down material products	4,182,191	3,274,668
Home textile products	2,372,893	2,384,597
OBM products	<u>160,508</u>	<u>162,253</u>
	<u>\$ 9,093,373</u>	<u>\$ 8,069,773</u>

d. Geographical information

The Group operates in four principal geographical areas - Taiwan, China, Vietnam 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		
	For the Year Ended December 31		December 31,	December 31,	January 1,
	2013	2012	2013	2012	2012
USA	\$ 1,824,112	\$ 1,659,847	\$ -	\$ -	\$ -
Taiwan	760,024	619,357	352,641	357,811	353,140
China	1,527,536	1,379,040	434,926	447,345	511,974
Vietnam	159,910	780,454	463,873	467,038	501,268
Japan	3,744,292	3,348,313	9,272	11,456	13,617
Others	<u>1,077,499</u>	<u>282,762</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,093,373</u>	<u>\$ 8,069,773</u>	<u>\$ 1,260,712</u>	<u>\$ 1,283,650</u>	<u>\$ 1,379,999</u>

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

e. Information about major customers

Single customers contributed 10% or more to the Group's revenue were as follows:

Customer	For the Year Ended December 31			
	2013		2012	
	Amount	% to Total	Amount	% to Total
A	\$ 1,568,774	17	\$ 1,475,989	18

34. FIRST-TIME ADOPTION OF IFRSs

a. Basis 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 applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

b. Impact on the transition to IFRSs

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

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

ROC GAAP		Impact of Transition to IFRSs		IFRSs		Notes
		Presentation Difference	Recognition and Measurement Difference	Amount	Items	
Item	Amount					
Prepayment for lease	\$ -	\$ 2,699	\$ -	\$ 2,699	Prepayment for lease	c)
Deferred tax asset - current	7,115	(7,115)	-	-	-	a)
Long-term investments accounted for by the equity	25,997	-	(633)	25,364	Investments accounted for by the equity	d)
Net properties	1,239,327	24,190	-	1,263,517	Net properties	b)
Land use right	67,873	(67,873)	-	-	-	c)
Long-term prepaid rent	-	65,174	-	65,174	Long-term prepaid rent	c)
Deferred tax assets	-	15,251	10,912	26,163	Deferred tax assets	a)
Deferred charge	24,190	(24,190)	-	-	-	b)

(Continued)

ROC GAAP		Impact of Transition to IFRSs		IFRSs		Notes
		Presentation Difference	Recognition and Measurement Difference			
Item	Amount			Amount	Items	
Accrued expense	\$ 220,368	\$ 39,106	\$ 16,134	\$ 275,608	Other payables	d) and reclassification
Other current liabilities	67,426	(39,106)	-	28,320	Other current liabilities	Reclassification
Accrued pension cost	9,595	-	39,585	49,180	Accrued pension liabilities	e)
Deferred income tax liabilities	22,852	8,136	(107)	30,881	Deferred income tax liabilities	a), d) and e)
Capital surplus-long-term investments	58	-	(58)	-	-	f)
Unappropriated earnings	438,736	-	(53,741)	384,995	Unappropriated earnings	
Net loss not recognized as pension cost	(8,466)	-	8,466	-	-	e)

(Concluded)

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

ROC GAAP		Impact of Transition to IFRSs		IFRSs		Notes
		Presentation Difference	Recognition and Measurement Difference			
Item	Difference			Amount	Items	
Prepayment for lease	\$ -	\$ 2,740	\$ -	\$ 2,740	Prepayment for lease	c)
Deferred tax asset - current	1,591	(1,591)	-	-	-	a)
Long-term investments accounted for by the equity	28,232	-	(555)	27,677	Investments accounted for by the equity	d)
Net properties	1,152,007	17,417	-	1,169,424	Net properties	b)
Land use right	62,804	(62,804)	-	-	-	c)
Long-term prepaid rent	-	60,064	-	60,064	Long-term prepaid rent	c)
Deferred tax assets	-	23,076	11,612	34,688	Deferred tax assets	a)
Deferred charge	17,417	(17,417)	-	-	-	b)
Accrued expense	238,246	65,320	23,656	327,222	Other payables	d) and reclassification
Other current liabilities	91,557	(65,320)	-	26,237	Other current liabilities	Reclassification
Accrued pension cost	12,417	-	33,540	45,957	Accrued pension liabilities	e)
Deferred income tax liabilities - noncurrent	62,557	21,485	(94)	83,948	Deferred income tax liabilities - noncurrent	a) and d)
Capital surplus-long-term investments	58	-	(58)	-	-	
Net loss not recognized as pension cost	(11,107)	-	11,107	-	-	e)

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

ROC GAAP		Impact of Transition to IFRSs		IFRSs		Notes
		Presentation Difference	Recognition and Measurement Difference			
Item	Amount			Amount	Items	
Operating revenue	\$ 8,089,628	\$ -	\$ -	\$ 8,089,628	Operating revenue	
Less: Sales return	(13,380)	-	-	(13,380)	Less: Sales return	
Less: Sales allowance	(6,475)	-	-	(6,475)	Less: Sales allowance	
Operating income, net	8,069,773	-	-	8,069,773	Operating income, net	
Operating cost	(7,030,319)	-	294	(7,030,025)	Operating cost	e)
Operating profit	1,039,454	-	294	1,039,748	Operating profit	
Operating expense					Operating expense	
Selling and marketing expenses	(429,985)	-	292	(429,693)	Selling and marketing expenses	e)
Administration expenses	(235,199)	-	(6,407)	(241,606)	Administration expenses	e)
Research and development expense	(64,660)	-	499	(64,161)	Research and development expense	e)
Total operating expense	(729,844)	-	(5,616)	(735,460)	Total operating expense	
Operating profit	309,610	-	(5,322)	304,288	Operating profit	
Other gain or loss	(13,991)	-	78	(13,913)	Other gain or loss	
Income before income tax	295,619	-	(5,244)	290,375	Income before income tax	
Income tax expense	(89,652)	-	892	(88,760)	Income tax expense	e)
Net income	\$ 205,967	\$ -	\$ (4,352)	\$ 201,615	Profit before tax	
				(74,461)	Exchange differences on translating foreign operations	
				(1,215)	Unrealized gain (loss) on available for-sale financial assets	
				1,204	Actuarial gains and losses of benefit plan	
				(205)	Income tax relating to components of other comprehensive income	
				(74,677)	Other comprehensive income for the period, net of income tax	
				\$ 126,938	Total comprehensive income for the period	

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 share-based payment transactions granted and vested before the date of transition.

Deemed cost

Property, plant and equipment and intangible assets are stated at cost under IFRSs. All property, plant and equipment, 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.

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) IAS 1 - Presentation of financial statements - classifications of deferred income tax asset/liability:

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 non-current 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.

- b) Under ROC GAAP, a deferred charge is classified as other assets. Under IFRSs, a deferred charge is reclassified as property plant and equipment or long-term prepayment.

c) IAS 17 - Leasing - classification of land use right

Under ROC GAAP, a land use right is classified as intangible asset. Under IFRSs, a land use right is reclassified as prepayment for lease.

d) IAS 19 - Employee benefits - compensated absences

Under ROC GAAP, there are no specific requirements for recording compensated absences. Companies usually recognize the costs when the payments are made. Under IFRSs, accumulating compensated absences are treated as short-term compensation cost. The expected cost of short-term accumulated compensated absences should be recognized when the employees render service. For non-accumulating compensated absences, an entity recognizes no liability or expense until the time of the absence.

e) IAS 19 - Employee benefits - actuarial gains and losses:

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 requires 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 IFRSs, the company will 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.

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 \$3,123 thousand and \$1,891 thousand and interest paid by the Group of \$34,823, 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.