Winbond Electronics Corporation and Subsidiaries

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

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Winbond Electronics Corporation

We have audited the accompanying consolidated balance sheets of Winbond Electronics Corporation (the "Company") and its subsidiaries (collectively referred as the "Group") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

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

We have also audited the parent company only financial statements of Winbond Electronics Corporation as of and for the years ended December 31, 2013 and 2012 on which we have issued an unqualified report.

Deloitte & Touche

March 28, 2014

<u>*Notice to Readers*</u>

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

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	December 31, 2013		December 31, 2012		January 1, 2012	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 7,670,379	14	$ 5,710,913	10	$ 5,895,681	10
Financial assets at fair value through profit or loss, current (Note 7)	-	-	28,721	-	3,676	-
Available-for-sale financial assets, current (Note 8)	1,790,113	3	704,091	1	902,713	1
Notes and accounts receivable, net (Note 9)	4,906,167	9	4,609,247	8	4,114,428	7
Accounts receivable due from related parties, net (Note 28)	89,754	-	46,073	-	50,639	-
Other receivables (Note 10)	300,116	1	325,331	1	272,051	-
Inventories (Note 11)	6,973,887	12	8,108,677	15	7,272,562	12
Other current assets	677,839	1	532,212	1	420,635	1
Total current assets	22,408,255	40	20,065,265	36	18,932,385	31
NON-CURRENT ASSETS						
Available-for-sale financial assets, non-current (Note 8)	281,070	1	64,530	-	353,997	1
Held-to-maturity financial assets, non-current (Note 12)	97,770	-	-	-	-	-
Financial assets measured at cost, non-current (Note 13)	656,676	1	678,588	1	1,301,667	2
Investments accounted for using equity method (Note 14)	2,407,094	4	1,726,533	3	65,092	-
Property, plant and equipment (Note 15)	24,804,025	45	29,021,114	52	35,149,539	58
Investment properties (Note 16)	80,401	-	80,747	-	-	-
Intangible assets (Note 17)	193,947	1	183,310	-	639,191	1
Deferred income tax assets (Note 22)	4,088,406	7	4,219,354	8	4,274,277	7
Other non-current assets (Notes 6 and 10)	661,034	1	236,597	-	264,765	-
Total non-current assets	33,270,423	60	36,210,773	64	42,048,528	69
TOTAL	$ 55,678,678	100	$ 56,276,038	100	$ 60,980,913	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	$ 2,072,708	4	$ 2,716,474	5	$ 1,681,092	3
Short-term bills payable (Note 18)	-	-	499,376	1	199,763	-
Financial liabilities at fair value through profit or loss, current (Note 7)	16,545	-	-	-	-	-
Notes payable	517,550	1	812,253	1	849,713	1
Accounts payable	3,267,045	6	3,421,866	6	3,211,805	5
Payable on equipment	472,496	1	173,632	-	650,233	1
Other payables	2,213,020	4	2,258,359	4	2,211,613	4
Current portion of long-term borrowings (Note 18)	3,863,097	7	4,483,330	8	7,158,327	12
Other current liabilities	79,149	-	77,829	-	68,865	-
Total current liabilities	12,501,610	23	14,443,119	25	16,031,411	26
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 18)	6,076,193	11	6,550,000	12	7,966,663	13
Accrued pension liabilities (Note 19)	929,453	2	942,757	2	730,752	1
Other non-current liabilities	283,320	-	224,627	-	193,417	1
Total non-current liabilities	7,288,966	13	7,717,384	14	8,890,832	15
Total liabilities	19,790,576	36	22,160,503	39	24,922,243	41
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT						
Common stock (Note 20)	36,940,232	66	36,856,012	65	36,802,302	60
Capital surplus	2,148,359	4	2,177,342	4	2,211,059	4
Accumulated deficits	(4,187,772)	(8)	(4,430,750)	(8)	(2,418,258)	(4)
Exchange differences on translation of foreign financial statements	(59,567)	-	(81,748)	-	-	-
Unrealized gains (losses) on available-for-sale financial assets	79,055	-	(1,408,417)	(2)	(1,461,970)	(3)
Treasury stock	(106,387)	-	(106,387)	-	(106,387)	-
Total equity attributable to owners of the parent	34,813,920	62	33,006,052	59	35,026,746	57
NON-CONTROLLING INTERESTS	1,074,182	2	1,109,483	2	1,031,924	2
Total equity	35,888,102	64	34,115,535	61	36,058,670	59
TOTAL	$ 55,678,678	100	$ 56,276,038	100	$ 60,980,913	100

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUE	$ 33,135,448	100	$ 32,965,283	100
OPERATING COST (Note 11)	26,226,516	79	27,802,298	84
GROSS PROFIT	6,908,932	21	5,162,985	16
OPERATING EXPENSES				
Selling expenses	972,433	3	1,013,571	3
General and administrative expenses	980,725	3	1,126,336	4
Research and development expenses	4,190,576	13	4,304,440	13
Total operating expenses	6,143,734	19	6,444,347	20
PROFIT (LOSS) FROM OPERATIONS	765,198	2	(1,281,362)	(4)
NON-OPERATING INCOME AND LOSSES				
Interest income	53,033	-	43,825	-
Dividend income	29,715	-	47,133	-
Gain on doubtful debt recoveries	6,330	-	79,951	-
Other income	33,742	-	36,793	-
Gains (losses) on disposal of property, plant and equipment	(3,807)	-	17,555	-
Foreign exchange gains (losses)	161,934	1	(51,631)	-
Gains (losses) on financial instruments at fair value through profit or loss	(89,923)	-	103,648	1
Interest expense	(259,402)	(1)	(364,983)	(1)
Other expense	(37,652)	-	(27,674)	-
Loss on disposal of investments	(7,674)	-	(42,203)	-
Impairment loss on financial assets (Note 13)	(783)	-	(25,030)	-
Share of profit or loss of associates accounted for using equity method (Note 14)	(92,057)	-	14,458	-
Total non-operating income and losses	(206,544)	-	(168,158)	-
PROFIT (LOSS) BEFORE INCOME TAX	558,654	2	(1,449,520)	(4)
INCOME TAX EXPENSE (Note 22)	271,288	1	175,037	1
NET PROFIT (LOSS)	287,366	1	(1,624,557)	(5)

(Continued)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Exchange difference on translation of foreign financial statements	$ 43,138	-	$ (93,274)	-
Unrealized gains on available-for-sale financial assets	1,487,472	5	53,553	-
Actuarial gains and losses on defined benefit plans	36,810	-	(187,984)	(1)
Other comprehensive income	1,567,420	5	(227,705)	(1)
TOTAL COMPREHENSIVE INCOME	$ 1,854,786	6	$ (1,852,262)	(6)
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owner of the parent	$ 206,564	1	$ (1,862,883)	(6)
Non-controlling interests	80,802	-	238,326	1
	$ 287,366	1	$ (1,624,557)	(5)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the parent	$ 1,752,631	5	$ (2,040,687)	(6)
Non-controlling interests	102,155	1	188,425	-
	$ 1,854,786	6	$ (1,852,262)	(6)
EARNINGS (LOSS) PER SHARE (Note 23)				
Basic	$ 0.06		$ (0.51)	
Diluted	$ 0.06		$ -	

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Parent								
				Other Equity					
	Common Stock	Capital Surplus	Accumulated Deficits	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Treasury Stock	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2012	$ 36,802,302	$ 2,211,059	$ (2,418,258)	$ -	$ (1,461,970)	$ (106,387)	$ 35,026,746	$ 1,031,924	$ 36,058,670
Change in equity of associates accounted for using equity method	-	3,631	-	-	-	-	3,631	(248)	3,383
Net loss for 2012	-	-	(1,862,883)	-	-	-	(1,862,883)	238,326	(1,624,557)
Other comprehensive income for 2012	-	-	(149,609)	(81,748)	53,553	-	(177,804)	(49,901)	(227,705)
Total comprehensive income for 2012	-	-	(2,012,492)	(81,748)	53,553	-	(2,040,687)	188,425	(1,852,262)
Issue of ordinary shares under employee stock options	53,710	(37,489)	-	-	-	-	16,221	-	16,221
Compensation cost of employee stock options	-	141	-	-	-	-	141	-	141
Decrease in non-controlling interests	-	-	-	-	-	-	-	(110,618)	(110,618)
BALANCE, DECEMBER 31, 2012	36,856,012	2,177,342	(4,430,750)	(81,748)	(1,408,417)	(106,387)	33,006,052	1,109,483	34,115,535
Change in equity of associates accounted for using equity method	-	29,347	-	-	-	-	29,347	133	29,480
Net income for 2013	-	-	206,564	-	-	-	206,564	80,802	287,366
Other comprehensive income 2013	-	-	36,414	22,181	1,487,472	-	1,546,067	21,353	1,567,420
Total comprehensive income for 2013	-	-	242,978	22,181	1,487,472	-	1,752,631	102,155	1,854,786
Issue of ordinary shares under employee stock options	84,220	(58,330)	-	-	-	-	25,890	-	25,890
Decrease in non-controlling interests	-	-	-	-	-	-	-	(137,589)	(137,589)
BALANCE, DECEMBER 31, 2013	$ 36,940,232	$ 2,148,359	$ (4,187,772)	$ (59,567)	$ 79,055	$ (106,387)	$ 34,813,920	$ 1,074,182	$ 35,888,102

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	$ 558,654	$ (1,449,520)
Adjustments for:		
Depreciation expenses	6,277,692	8,651,002
Amortization expenses	169,142	618,621
Provision for (reversal of) allowance for doubtful accounts	5,138	(67,586)
Provision for (reversal of) decline in market value and obsolescence and abandonment of inventories	(177,945)	158
Loss (gain) on financial assets and liabilities at fair value through profit or loss	39,904	(25,045)
Interest expense	259,402	364,983
Interest income	(53,033)	(43,825)
Dividend income	(29,715)	(47,133)
Share of loss (profit) of associates accounted for using equity method	92,057	(14,458)
Impairment loss recognized on financial assets	783	25,030
Compensation cost of employee stock options	-	198
Loss (gain) on disposal of property, plant and equipment	3,807	(17,555)
Loss on disposal of investments	7,674	42,203
Unrealized profit (loss) on the transactions with associates	(137)	256
Changes in operating assets and liabilities		
Decrease in financial assets at fair value through profit or loss	5,529	-
Increase in notes and accounts receivable	(308,018)	(513,419)
(Increase) decrease in accounts receivable due from related parties	(43,681)	4,566
Decrease (increase) in other receivables	62,983	(65,869)
Decrease (increase) in inventories	1,312,735	(836,274)
Increase in other current assets	(150,998)	(113,395)
(Increase) decrease in other non-current assets	(5,567)	5,331
Decrease in notes payable	(294,703)	(37,460)
(Decrease) increase in accounts payable	(154,821)	210,061
(Decrease) increase in other payables	(60,474)	34,733
Increase in other current liabilities	1,320	8,965
Increase in other non-current liabilities	81,803	44,309
Cash inflow generated from operations	7,599,531	6,778,877
Interest received	44,203	37,454
Dividend received	34,530	53,698
Interest paid	(298,559)	(422,819)
Income tax paid	(122,104)	(87,652)
Net cash flows generated from operating activities	7,257,601	6,359,558
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(631,036)	(86,915)
Proceeds from disposal of available-for-sale financial assets	206,111	315,037
Acquisition of held-to-maturity financial assets	(94,584)	-

(Continued)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31 2013	2012
Acquisition of financial assets measured at cost	$ (16,000)	$ -
Proceeds from disposal of financial assets measured at cost	2,467	16,552
Proceeds from capital reduction of financial assets measured at cost	32,603	8,617
Acquisition of investments accounted for using equity method	(151,236)	(403,856)
Net cash outflow on disposal of subsidiaries	-	(258,088)
Acquisitions of property, plant and equipment	(2,245,724)	(3,077,707)
Proceeds from disposal of property, plant and equipment	5,076	48,145
Decrease in financial lease receivables	64,246	-
Acquisition of intangible assets	(155,663)	(142,735)
Net cash used in investing activities	(2,983,740)	(3,580,950)
CASH FLOWS USED IN FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(643,766)	1,035,383
(Decrease) increase in short-term bills payable	(500,000)	300,000
Increase in long-term borrowings	3,510,000	3,200,000
Repayments of long-term borrowings	(4,604,040)	(7,291,660)
Dividend paid to non-controlling interests	(137,588)	(133,318)
Proceeds from exercise of employee stock options	25,890	16,221
Increase (decrease) in non-controlling interests	21,352	(33,094)
Net cash used in financing activities	(2,328,152)	(2,906,468)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	13,757	(56,908)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,959,466	(184,768)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,710,913	5,895,681
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 7,670,379	$ 5,710,913

As of December 31, 2012, fair values of assets and liabilities of Win Investment Corporation, a subsidiary merged by Chin Xin Investment Co., Ltd. are summarized as follows:

	Amount
Cash and cash equivalents	$ 258,088
Available-for-sale financial assets, current and non-current	433,932
Financial assets measured at cost, non-current	620,154
Other current and non-current assets	50,697
Other current liabilities	(33)
Net assets of Win Investment Corporation on merger date	$ 1,362,838
Net cash outflow on disposal of subsidiary Win Investment Corporation	$ 258,088

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

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

1. GENERAL INFORMATION

Winbond Electronics Corporation (the "Company") was incorporated in the Republic of China ("ROC") on September 29, 1987 and is engaged in the design, development, manufacture and marketing of Very Large Scale Integration ("VLSI") integrated circuits ("ICs") used in a variety of microelectronic applications.

The Company's shares have been listed on the Taiwan Stock Exchange since October 18, 1995. Walsin Lihwa is a major stockholder of the Company and held approximately 23% ownership interest in the Company as of December 31, 2013 and 2012.

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

The 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 financial statements were authorized for issue, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the "New IFRSs") included in the 2013 IFRSs version. Furthermore, the FSC has not announced the effective date for the following New IFRSs that are not included in the 2013 IFRSs version.

The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC	Effective Date Announced by IASB (Note 1)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010

(Continued)

The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC	Effective Date Announced by IASB (Note 1)
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
Revise of IAS 19 "Employee Benefits"	January 1, 2013
Revise of IAS 27 "Separate Financial Statements"	January 1, 2013
Revise of IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ending on or after June 30, 2009
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

(Concluded)

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

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

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

b. Significant impending changes in accounting policy result from 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 contractual cash flows, and 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 in other comprehensive income, with only dividend income generally recognized in profit or loss.

Effective date

The mandatory effective date of IFRS 9, which was previously set at January 1, 2015, was removed and will be reconsidered once the standard is complete with a new impairment model and any limited amendments to classification and measurement have been finalized in both consolidated and nonconsolidated financial statements.

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.

3) IFRS 13 "Fair Value Measurement"

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

4) Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"

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

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

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

6) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

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

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

7) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuing to assess the possible impact of the application of other standards, interpretations and amendments to Regulations Governing the Preparation of Financial Reports by Securities Issuers on the Group's financial position and operating result, and will disclose the relevant impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Group's consolidated financial statements for the year ended December 31, 2013 are its first IFRS consolidated financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 35 for the impact of IFRS conversion on the Group's consolidated financial statements.

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.

Basis of Preparation

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

The opening consolidated balance sheets as of the date of transition to IFRSs were prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". The applicable IFRSs have been applied retrospectively by the Group except for some aspects where IFRS 1 prohibits retrospective application or grants optional exemptions to this general principle. For the exemptions that the Group elected, refer to Note 35.

Basis of Consolidation

a. Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. 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.

b. Subsidiary included in consolidated financial statements

			% of Ownership		
Investor	**Investee**	**Main Business**	**December 31, 2013**	**December 31, 2012**	**January 1, 2012**
The Company	Winbond Int'l Corporation ("WIC")	Investment holding	100.00	100.00	100.00
WIC	Winbond Electronics Corp. America ("WECA")	Design, sales and after-sales service of semiconductor	100.00	100.00	100.00
The Company	Landmark Group Holdings Ltd. ("Landmark")	Investment holding	100.00	100.00	100.00
Landmark	Winbond Electronics Corp. Japan ("WECJ")	Design, sales and after-sales service of semiconductor	100.00	100.00	100.00
Landmark	Peaceful River Corp. ("PRC")	Investment holding	100.00	100.00 (Note 1)	100.00 (Note 1)
The Company	Winbond Electronics (HK) Limited ("WEHK")	Sale of semiconductor	100.00	100.00	100.00
The Company	Pine Capital Investment Limited ("PCI")	Investment holding	100.00	100.00	100.00
PCI	Winbond Electronics (Suzhou) Limited ("WECN")	Design development and marketing of VLSI integrated ICs	100.00	100.00	100.00
The Company	Mobile Magic Design Corporation ("MMDC")	Design development and marketing of Pseudo SRAM	100.00	100.00	100.00
The Company	Nuvoton Technology Corporation ("NTC")	Research, development, design, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	61.00	61.00	61.00
The Company	Winbond Technology LTD. (Israel) ("WECI") (Note 2)	Design, sales and after-sales service of semiconductor	100.00	-	-
NTC	Marketplace Management Ltd. ("MML")	Investment holding	100.00	100.00	100.00
MML	Goldbond LLC ("GLLC")	Investment holding	100.00	100.00	100.00
GLLC	Nuvoton Electronics Technology (Shanghai) Limited ("NTSH")	Provide project of sale in China and repair, test and consult of software	100.00	100.00	100.00
GLLC	Winbond Electronics (Nanjing) Ltd. ("WENJ")	Computer software service (except I.C. design)	100.00	100.00	100.00
NTC	Pigeon Creek Holding Co., Ltd. ("PCH")	Investment holding	100.00	100.00	100.00
PCH	Nuvoton Technology Corp. America ("NTCA")	Design, sales and after-sales service of semiconductor	100.00	100.00	100.00
NTC	Nuvoton Investment Holding Ltd. ("NIH")	Investment holding	100.00	100.00	100.00
NIH	Nuvoton Technology Israel Ltd. ("NTIL")	Design, sales and after-sales service of semiconductor	100.00	100.00	100.00
NTC	Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	Sales of semiconductor	100.00	100.00	100.00
NTHK	Nuvoton Electronics Technology ("Shenzhen") Limited ("NTSZ")	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100.00	100.00	100.00

(Continued)

Investor	Investee	Main Business	% of Ownership December 31, 2013	December 31, 2012	January 1, 2012
The Company	Win Investment Corporation ("WIN") (Note 3)	Investment holding	-	-	100.00
WIN (Note 3)	NTC	Research, development, design, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	-	-	1.00
The Company	Newfound Asian Corp. ("NAC")	Investment holding	100.00	100.00	100.00
NAC	Baystar Holdings Ltd. ("BHL")	Investment holding	100.00	100.00	100.00

(Concluded)

Note 1: In September 2012, Landmark acquired 100% ownership interest of PRC from WIN.

Note 2: WECI was incorporated in September 2013.

Note 3: WIN was merged by Chin Xin Investment Co., Ltd. on December 31, 2012.

Classification of Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized, sold or consumed within twelve months after the reporting period, 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 are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Except as otherwise mentioned, assets and liabilities that are not classified as current are classified as non-current.

Foreign Currencies

The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollars.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's 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 are recognized in profit or loss in the period they arise.

Exchange differences arising on the retranslation of non-monetary items measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, and exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

Financial Instruments

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis, except derivative financial assets which are recognized and derecognized on settlement date basis.

The categories of financial assets held by the Group are financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial assets are either held for trading or 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.

2) Available-for-sale financial assets

Listed shares held by the Group that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value at the end of each reporting period. Changes in the fair value 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 profit or loss or other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

3) Held-to-maturity financial assets

Bonds which have a specific credit rating and the Group has positive intent and ability to hold to maturity are classified as held-to-maturity financial assets.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

4) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including cash and cash equivalent, notes and accounts receivable, account receivable due from related parties, other receivables and refundable deposits are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivable when the effect of discounting is immaterial.

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

b. Impairment of financial assets

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

Financial assets carried at amortized cost, such as accounts receivable and held-to-maturity financial assets are assessed for impairment. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables. 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. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

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

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

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

c. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

d. Financial liabilities

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

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

e. Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

f. Derivative financial instruments

The group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and cross currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately 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.

g. Information about fair value of financial instruments

The Group determined the fair value of financial assets and liabilities as follow:

1) The fair values of financial assets and liabilities which have standard terms and conditions and traded in active market are determined by reference to quoted market price. If there is no quoted market price in active market, valuation techniques are applied.

2) The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts use individual maturity rate to calculate the fair value of each contract.

3) The fair values of other financial assets and financial liabilities are determined by discounted cash flow analysis in accordance with generally accepted pricing models.

Inventories

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

Investments Accounted for Using Equity Method

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

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

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

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

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

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

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

Property, Plant and Equipment

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

Depreciation is recognized using the straight-line method. 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.

The Group's property, plant and equipment were depreciated straight-line basis over the estimated useful life of the asset:

Buildings	9-21 years
Machinery and equipment	4-6 years
Other equipment	6 years

Furthermore, on April 29, 2013, the board of directors determined to change the accounting-basis of estimated useful life of assets and reported the change in the stockholders' meeting on June 19, 2013. Since July 1, 2013, the useful life of facilities (recorded as "buildings") is from 11 years to 15 years, and useful life of machinery and equipment is from 6 years to 8 years.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss, and depreciated over 20 years useful lives after considered residual values, using the straight-line method. Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Company 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.

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

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

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event and at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. For potential product risk, the Group accrues reserve for products guarantee based on commitment to specific customers.

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; a liability is recognized for returns based on previous experience and other relevant factors. Sales of goods are recognized when the goods are delivered and title is passed to the buyer.

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 lease.

Under finance lease, the Group as lessor recognizes amounts due from lessees as receivables at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Under operating lease, the Group as lessor recognizes rental income from operating lease on a straight-line basis over the term of the relevant lease. Contingent rents receivable arising under operating leases are recognized as income in the period in which they are earned. As lessee, operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents payable arising under operating leases are recognized as an expense in the period in which they are incurred.

Borrowing Costs

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

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

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 plans, the cost of providing benefits is determined using the Projected Unit Credit Method. 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 and actuarial losses, 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.

Employee Stock Options

The value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus. The fair value determined at the grant date of the employee stock options is recognized as an expense in full at the grant date when the stock options granted vest immediately.

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

Taxation

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

a. Current tax

   According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

   Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the 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 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.

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. Deferred tax

The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

b. Valuation 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 is based on current market conditions and the historical experience from selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

c. Useful lives and impairment of plant, property and equipment

As described in Note 4, the Group reviews the estimated useful lives and recoverable amount of property, plant and equipment at the end of each reporting period. During the current period, the Group reassessed the useful lives of plant, property, and equipment in view of expected economic benefits. Since July 1, 2013, the useful life of facilities ranged from 11 years to 15 years and machinery and equipment from 6 years to 8 years. The financial effect of this reassessment is to decrease depreciation expense by $987,784 thousand from July 1 to December 31, 2013.

d. Recognition and measurement of defined benefit retirement plans

Accrued pension liabilities and the resulting pension expense under defined retirement 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.

e. Impairment of accounts receivable

Objective evidence of impairment used in evaluating impairment loss includes estimated future cash flows. The amount of 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. If the future cash flows are lower than expected, significant impairment loss may be recognized.

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 751	$ 713	$ 640
Checking accounts and demand deposits	6,831,028	3,965,800	5,144,028
Repurchase agreements collateralized by bonds	838,600	1,744,400	751,013
	$ 7,670,379	$ 5,710,913	$ 5,895,681

a. The Group has time deposits pledged to secure land lease at a science park, customs tariff obligation, purchase orders of materials and sales deposits which are reclassified as “other non-current assets”:

	December 31, 2013	December 31, 2012	January 1, 2012
Time deposits	$ 131,547	$ 132,160	$ 139,964

b. The Group has partial time deposits which were not held for the purpose of meeting short-term cash commitments and are reclassified to “other receivables”:

	December 31, 2013	December 31, 2012	January 1, 2012
Time deposits	$ 1,041	$ 104,015	$ 106,916

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets at FVTPL - current			
Derivative financial assets (not under hedge accounting)			
Forward exchange contracts	$ -	$ 25,188	$ 215
Non-derivative financial assets			
Listed shares and emerging market shares	-	3,533	3,461
	$ -	$ 28,721	$ 3,676
Financial liabilities at FVTPL - current			
Derivative financial liabilities (not under hedge accounting)			
Forward exchange contracts	$ 16,545	$ -	$ -

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

	Currencies	Maturity Date	Contract Amount (In Thousands)
December 31, 2013			
Sell forward exchange contracts	USD to NTD	2014.01.02-2014.03.28	USD77,800/NTD2,299,753
December 31, 2012			
Sell forward exchange contracts	USD to NTD	2013.01.03-2013.03.14	USD137,000/NTD3,989,235
Buy forward exchange contracts	NTD to USD	2013.02.07	NTD289,220/USD10,000
January 1, 2012			
Sell forward exchange contracts	USD to NTD	2012.01.03-2012.03.02	USD62,000/NTD1,875,747
Sell forward exchange contracts	USD to JPY	2012.01.05	USD925/JPY72,000

The Group entered into derivative financial instruments 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
Listed stocks			
Hannstar Display Corporation	$ 696,747	$ 192,061	$ 168,612
Walton Advanced Engineering Inc.	535,670	420,526	480,601
Walsin Lihwa Corporation	401,520	-	143,880
Walsin Technology Corporation	102,958	91,504	103,859
Telit Communications PLC	53,218	-	-
Capella Microsystems Inc.	-	-	69,563
Chaintech Corp.	-	-	5,760
Japan Material Co., Ltd.	-	-	14,097
Emerging Memory & Logic Solution Inc.	-	-	140,738
Private-placement shares of listed company			
Hannstar Display Corporation	281,070	64,530	129,600
	$ 2,071,183	$ 768,621	$ 1,256,710
Current	$ 1,790,113	$ 704,091	$ 902,713
Non-current	281,070	64,530	353,997
	$ 2,071,183	$ 768,621	$ 1,256,710

In January 2011, the Group acquired 108,000,000 private-placement shares of Hannstar Display Corporation, dividend per shares NT$5 dollars. According to Securities and Exchange Act, the private-placement shares of Hannstar Display Corporation could be resold freely in an active market only after 3 years from the delivery date and permitted by the controlling authorities. In September 2012, Hannstar Display Corporation carried out a capital reduction to offset a deficit, and the proportion of capital reduction is 50%. The Group deducted 54,000,000 private-placement shares of Hannstar Display Corporation. There were 27,000,000 of Hannstar Display Corporation's private-placement shares held by the Group which are decreased due to WIN (dissolved company) was merged by Chin Xin Investment Co., Ltd on December 31, 2012. As of December 31, 2013, the Group held 27,000,000 of Hannstar Display Corporation's private-placement shares.

9. NOTES AND ACCOUNTS RECEIVABLE

	December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable	$ 814	$ 327	$ 534
Accounts receivable	5,028,740	4,721,523	4,426,386
Less: Allowance for doubtful accounts	(123,387)	(112,603)	(312,492)
	$ 4,906,167	$ 4,609,247	$ 4,114,428

The average credit period for sales of goods was 30-60 days. Allowance for doubtful accounts is based on estimated irrecoverable amounts determined by reference to aging of receivables, past default experience of the counterparties and an analysis of their financial position.

The aging of accounts receivable were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Not overdue	$ 4,618,613	$ 4,406,427	$ 4,036,086
Overdue under 30 days	364,054	295,019	164,405
Overdue 31-60 days	31,878	9,796	2,888
Overdue 61 days and longer	14,195	10,281	223,007
	$ 5,028,740	$ 4,721,523	$ 4,426,386

Movements in the allowance for doubtful accounts recognized on accounts receivable were as follows:

	For the Year Ended December 31	
	2013	2012
Balance at January 1	$ 112,603	$ 312,492
Less: Amounts written off	-	(212,254)
Add: Impairment losses recognized on accounts receivable	11,468	12,365
Effect of exchange rate changes	(684)	-
Balance at December 31	$ 123,387	$ 112,603

The Group's receivables were aged on a collective basis and not on individual account basis.

10. FINANCE LEASE RECEIVABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Gross investment in leases			
Not later than one year	$ 148,734	$ -	$ -
Later than one year and not later than five years	672,610	-	-
	821,344	-	-
Less: Unearned finance income	(348,261)	-	-
Present value of minimum lease payments	$ 473,083	$ -	$ -
Finance lease receivables			
Not later than one year (recorded as "other receivables")	$ 32,647	$ -	$ -
Later than one year and not later than five years (recorded as "other non-current assets")	440,436	-	-
Financial lease receivables	$ 473,083	$ -	$ -

The Group entered into finance lease arrangements for certain machinery. All leases were denominated in New Taiwan dollars. The term of finance leases entered into was 3 years.

The interest rate inherent in the leases was fixed at contract date for the entire lease term. As of December 31, 2013, the interest rate inherent in the finance lease was 1.7% per annum.

Financial lease receivables are secured by the leased machinery. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

During 2013, the carrying value of $527,656 thousand of the machinery which was reclassified to financial lease receivables was pledged to secure long-term borrowings.

The finance lease receivables as of December 31, 2013 were neither past due nor impaired.

11. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Finished goods	$ 1,528,832	$ 1,643,222	$ 1,720,658
Work-in-process	5,086,226	6,091,663	5,123,038
Raw materials and supplies	329,429	357,001	398,506
Inventories in transit	29,400	16,791	30,360
	$ 6,973,887	$ 8,108,677	$ 7,272,562

a. Gain on recovery of loss of inventory of $177,945 thousand and loss on write-down of inventories of $158 thousand were recognized in cost of sales for the years ended December 31, 2013 and 2012, respectively. Gain on recovery of decline in market value amounted to $268,631 thousand and $85,930 thousand in the years ended December 31, 2013 and 2012, due to net realizable value improvement.

b. Unallocated fixed manufacturing costs recognized as cost of sales in the years ended December 31, 2013 and 2012 amounted to $553,302 thousand and $513,589 thousand, respectively.

12. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Chinatrust Commercial Bank 1st Unsecured Financial Debentures in 2013	$ 97,770	$ -	$ -

On March 12, 2013, the Company bought 3-year financial bonds issued by Chinatrust Commercial Bank with a coupon rate and an effective interest rate of 2.9%, at par value of RMB20,000 thousand.

13. FINANCIAL ASSETS MEASURED AT COST, NON-CURRENT

	December 31, 2013	December 31, 2012	January 1, 2012
LTIP Trust Fund	$ 466,144	$ 466,144	$ 466,144
United Industrial Gases Co., Ltd.	81,081	81,081	154,867
Yu-Ji Venture Capital Co., Ltd.	40,000	24,000	24,000
Harbinger III Venture Capital Corp.	23,488	39,808	39,678
Strategic Value II Liquidating Trust	2,051	2,051	15,752
Ta Cherng Investing Co.	-	-	199,870
Walsin Color Corporation	-	-	121,197
YH Bio Explore & Application Co., Ltd.	-	-	83,011

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Vita Genomic, Inc.	$ -	$ -	$ 30,693
Others	43,912	65,504	166,455
	$ 656,676	$ 678,588	$ 1,301,667

(Concluded)

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

b. The Group recognized an impairment loss of $783 thousand and $25,030 thousand for the years ended December 31, 2013 and 2012, respectively.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31, 2013		December 31, 2012		January 1, 2012	
Name of Associate	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Unlisted companies						
Chin Xin Investment Co., Ltd.	$ 2,323,058	38	$ 1,654,103	35	$ -	-
Nyquest Technology Co., Ltd.	84,036	27	72,430	29	65,092	30
	$ 2,407,094		$ 1,726,533		$ 65,092	

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

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$ 6,675,580	$ 6,083,027	$ 310,788
Total liabilities	$ 140,224	$ 107,276	$ 113,858

	For the Year Ended December 31	
	2013	2012
Revenue	$ 727,387	$ 545,923
Net (loss) income	$ (894,912)	$ 42,050
Other comprehensive income	$ 1,476,726	$ 9
Group's share of profits (loss) of associates for the year	$ (92,057)	$ 14,458

In November 2012, the Company bought 40,000 thousand shares of Chin Xin Investment Co., Ltd. from related-party Walsin Lihwa Corporation. On December 31, 2012, WIN a subsidiary of the Company was merged into Chin Xin Investment Co., Ltd., and accordingly WIN was dissolved. The Company acquired 130,713 thousand shares of Chin Xin Investment Co., Ltd. after such merger. In fourth quarter of 2013, the Company acquired 12,128 thousand shares of Chin Xin Investment Co., Ltd. from related-party Walsin Lihwa Corporation. As of December 31, 2013, the Company had 182,841 thousand shares of Chin Xin Investment Co., Ltd. with a 38% ownership interest.

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

15. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2013	December 31, 2012	January 1, 2012
Land	$ 872,339	$ 870,460	$ 873,493
Buildings	8,567,718	9,560,270	10,703,659
Machinery and equipment	14,029,546	18,106,622	22,922,777
Other equipment	341,995	386,415	523,001
Construction in progress and prepayments for purchase of equipment	992,427	97,347	126,609
	$ 24,804,025	$ 29,021,114	$ 35,149,539

	Land	Building	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost						
Balance at January 1, 2013	$ 870,460	$ 20,067,447	$ 78,216,631	$ 2,888,473	$ 97,347	$ 102,140,358
Additions	-	55,686	1,481,372	95,051	951,598	2,583,707
Disposals	-	(47,654)	(394,560)	(26,153)	-	(468,367)
Reclassified	-	51,475	(599,060)	4,103	(56,518)	(600,000)
Effect of foreign currency exchange differences	1,879	6,492	4,323	14,798	-	27,492
Balance at December 31, 2013	$ 872,339	$ 20,133,446	$ 78,708,706	$ 2,976,272	$ 992,427	$ 103,683,190
Accumulated depreciation and impairment						
Balance at January 1, 2013	$ -	$ 10,507,177	$ 60,110,009	$ 2,502,058	$ -	$ 73,119,244
Depreciation expenses	-	1,099,972	5,028,125	144,660	-	6,272,757
Disposals	-	(44,774)	(389,778)	(24,932)	-	(459,484)
Reclassified	-	-	(72,344)	-	-	(72,344)
Effect of foreign currency exchange differences	-	3,353	3,148	12,491	-	18,992
Balance at December 31, 2013	$ -	$ 11,565,728	$ 64,679,160	$ 2,634,277	$ -	$ 78,879,165
Cost						
Balance at January 1, 2012	$ 873,493	$ 19,963,440	$ 76,529,259	$ 2,822,391	$ 126,609	$ 100,315,192
Additions	-	171,123	2,332,996	70,205	75,928	2,650,252
Disposals	-	(17,282)	(655,367)	(15,737)	-	(688,386)
Reclassified	-	(35,159)	12,832	19,204	(105,190)	(108,313)
Effect of foreign currency exchange differences	(3,033)	(14,675)	(3,089)	(7,590)	-	(28,387)
Balance at December 31, 2012	$ 870,460	$ 20,067,447	$ 78,216,631	$ 2,888,473	$ 97,347	$ 102,140,358
Accumulated depreciation and impairment						
Balance at January 1, 2012	$ -	$ 9,259,781	$ 53,606,482	$ 2,299,390	$ -	$ 65,165,653
Depreciation expenses	-	1,285,502	7,140,379	223,530	-	8,649,411
Disposals	-	(8,671)	(634,305)	(14,820)	-	(657,796)
Reclassified	-	(23,390)	-	-	-	(23,390)
Effect of foreign currency exchange differences	-	(6,045)	(2,547)	(6,042)	-	(14,634)
Balance at December 31, 2012	$ -	$ 10,507,177	$ 60,110,009	$ 2,502,058	$ -	$ 73,119,244

a. As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying values of $13,458,619 thousand, $20,557,599 thousand and $20,906,790 thousand of land and 12-inch Fab manufacturing facilities were pledged to secure long-term borrowings. The Group was not permitted to sell or pledge all of these pledged assets.

b. Information about capitalized interest

	For the Year Ended December 31	
	2013	**2012**
Capitalized interest amounts	$ 39,120	$ 49,146
Capitalized interest rate	2.40%-2.65%	2.62%-2.70%

16. INVESTMENT PROPERTIES

	December 31, 2013	December 31, 2012	January 1, 2012
Investment properties, net	$ 80,401	$ 80,747	$ -

Management was unable to reliably measure the fair value of investment property located at Shen-Zhen, China. The market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Group determined that the fair value of the investment property is not reliably measurable.

	Investment Properties
Cost	
Balance at January 1, 2013	$ 105,724
Effect of foreign currency exchange differences	6,138
Balance at December 31, 2013	$ 111,862
Accumulated depreciation and impairment	
Balance at January 1, 2013	$ 24,977
Depreciation expenses	4,935
Effect of foreign currency exchange differences	1,549
Balance at December 31, 2013	$ 31,461
Cost	
Balance at January 1, 2012	$ -
Reclassified	105,718
Effect of foreign currency exchange differences	6
Balance at December 31, 2012	$ 105,724

(Continued)

	Investment Properties
Accumulated depreciation and impairment	
Balance at January 1, 2012	$ -
Reclassified	23,390
Depreciation expenses	1,591
Effect of foreign currency exchange differences	(4)
Balance at December 31, 2012	$ 24,977

(Concluded)

17. INTANGIBLE ASSET

	December 31, 2013	December 31, 2012	January 1, 2012
Deferred technical assets, net	$ 192,588	$ 179,372	$ 638,357
Other intangible assets, net	1,359	3,938	834
	$ 193,947	$ 183,310	$ 639,191

	Deferred Technical Assets	Other Intangible Assets	Total
Cost			
Balance at January 1, 2013	$ 18,271,946	$ 26,948	$ 18,298,894
Addition	155,279	384	155,663
Disposals	-	(2,740)	(2,740)
Effect of foreign currency exchange differences	6,401	(3,183)	3,218
Balance at December 31, 2013	$ 18,433,626	$ 21,409	$ 18,455,035
Accumulated amortization and impairment			
Balance at January 1, 2013	$ 18,092,574	$ 23,010	$ 18,115,584
Amortization expenses	142,942	3,001	145,943
Disposals	-	(2,740)	(2,740)
Effect of foreign currency exchange differences	5,522	(3,221)	2,301
Balance at December 31, 2013	$ 18,241,038	$ 20,050	$ 18,261,088
Cost			
Balance at January 1, 2012	$ 18,133,430	$ 26,902	$ 18,160,332
Addition	141,771	964	142,735
Reclassified	-	2,596	2,596
Effect of foreign currency exchange differences	(3,255)	(3,514)	(6,769)
Balance at December 31, 2012	$ 18,271,946	$ 26,948	$ 18,298,894

(Continued)

	Deferred Technical Assets	Other Intangible Assets	Total
Accumulated amortization and impairment			
Balance at January 1, 2012	$ 17,495,073	$ 26,068	$ 17,521,141
Amortization expenses	599,104	420	599,524
Effect of foreign currency exchange differences	(1,603)	(3,478)	(5,081)
Balance at December 31, 2012	$ 18,092,574	$ 23,010	$ 18,115,584

(Concluded)

The amounts of deferred technical assets were the technical transfer fee in connection with certain technical transfer agreements. The above technical assets pertained to different products or process technology. The assets were depreciated on a straight-line basis from the commencement of production, and over the estimated useful life of the assets: Deferred technical assets - economic benefits or terms of the contracts and other intangible assets - 3-5 years.

18. BORROWINGS

	December 31, 2013	December 31, 2012	January 1, 2012
Short-term borrowings	$ 2,072,708	$ 2,716,474	$ 1,681,092
Short-term bills payable	$ -	$ 499,376	$ 199,763
Long-term borrowings	$ 9,939,290	$ 11,033,330	$ 15,124,990

a. Short-term borrowings

	December 31, 2013		December 31, 2012		January 1, 2012	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
Bank lines of credit	1.08%-2.36%	$ 2,026,570	1.33%-1.87%	$ 2,562,100	1.89%-2.58%	$ 141,500
Materials procurement loans	1.06%	46,138	1.11%-1.70%	154,374	1.09%-2.73%	1,539,592
		$ 2,072,708		$ 2,716,474		$ 1,681,092

b. Short-term bills payable

	December 31, 2013	December 31, 2012	January 1, 2012
Commercial paper payable	$ -	$ 500,000	$ 200,000
Less: Unamortized discount on commercial paper payables	-	(624)	(237)
	$ -	$ 499,376	$ 199,763

Outstanding short-term bills payable were as follows:

December 31, 2012

Bills Financial Corporation	Nominal Amount	Discount Amount	Carrying Value	Interest Rate
China bills	$ 200,000	$ 142	$ 199,858	0.85%
MEGA bills	300,000	482	299,518	1.15%
	$ 500,000	$ 624	$ 499,376	

January 1, 2012

Bills Financial Corporation	Nominal Amount	Discount Amount	Carrying Value	Interest Rate
China bills	$ 200,000	$ 237	$ 199,763	0.92%

c. Long-term borrowings

	December 31, 2013			December 31, 2012	January 1, 2012
	Period	Interest Rate	Amount	Amount	Amount
Chinatrust Commercial Bank syndication agreement (II)	2008.06.27-2013.06.27	-	$ -	$ 1,283,330	$ 3,849,990
Bank of Taiwan syndication agreement (I)	2009.07.27-2012.07.27	-	-	-	2,775,000
Bank of Taiwan syndication agreement (II)	2010.06.18-2015.06.18	2.81%-3.11%	1,650,000	4,850,000	6,000,000
Bank of Taiwan syndication agreement (III)	2011.12.23-2016.12.23	2.33%-2.64%	3,289,290	2,900,000	2,500,000
Chinatrust Commercial Bank syndication agreement (III)	2012.12.27-2015.12.27	2.24%-2.65%	5,000,000	2,000,000	-
			9,939,290	11,033,330	15,124,990
Less: Current portion			(3,863,097)	(4,483,330)	(7,158,327)
			$ 6,076,193	$ 6,550,000	$ 7,966,663

1) Chinatrust Commercial Bank Syndication Agreement (II)

a) On June 4, 2008, the Company entered into a syndication agreement, amounting to $7.7 billion, with a group of financial institutions to procure equipment for 12-inch Fab.

b) The principal will be repaid every six months from December 27, 2010 until maturity.

c) Please refer to Note 15 for collateral on bank borrowing.

d) The agreement was fully redeemed on January 25, 2013.

2) Bank of Taiwan Syndication Agreement (I)

a) On July 15, 2009, the Company entered into a syndication agreement, amounting to $3.7 billion, with a group of financial institutions to fund the long-term loan payments and finance the working capital.

b) The principal will be repaid every three months from October 27, 2011 until maturity.

c) Please refer to Note 15 for collateral on bank borrowing and the chairman of the Company is a joint guarantor.

d) The agreement was fully redeemed on July 27, 2012.

3) Bank of Taiwan Syndication Agreement (II)

a) On May 31, 2010, the Company entered into a syndication agreement, with a group of financial institutions to procure equipment for 12-inch Fab and fund the long-term loan payments, credit line was divided into parts a and b, which amounted to \$3.3 billion and \$3.5 billion, respectively; the total line of credit \$6.8 billion.

b) Part A will be repaid every six months from December 18, 2012 until maturity; part B will be repaid from June 18, 2012 at 20%, 20% and 60% of the principal, respectively.

c) Please refer to Note 15 for collateral on bank borrowing and Note 28 for the joint guarantor.

4) Bank of Taiwan Syndication Agreement (III)

a) On September 19, 2011, the Company entered into a syndication agreement, the original amount of \$7 billion was deducted \$0.25 billion because prepayment, finally amounting to \$6.75 billion, with a group of financial institutions to procure equipment for 12-inch Fab.

b) The Company changed the terms and repayment schedule of the agreement on December 18, 2013. The loan utilized before December 22, 2013 will be repaid every six months from June 23, 2014 and the loan utilized after December 22, 2013 will be repaid every six months at 30%, 30% and 40% from December 23, 2015, respectively.

c) Please refer to Note 15 for collateral on bank borrowing.

5) Chinatrust Commercial Bank Syndication Agreement (III)

a) On November 19, 2012, the Company entered into a syndication agreement, amounting to \$5 billion, with a group of financial institutions to fund the long-term loan payments and finance the working capital.

b) The principal will be repaid every six months from December 27, 2014 until maturity.

c) Please refer to Note 15 for collateral on bank borrowing.

The Company is required to maintain certain financial covenants, including current ratio, debt ratio and tangible net equity, on June 30 and December 31 during the tenors of the loans. Additionally, the principal and interest coverage should be also maintained on December 31 during the tenors of the loans except for the interest coverage ratio of Bank of Taiwan Syndication Agreement (II), (III) and Chinatrust Commercial Bank Syndication Agreement (III) which should be maintained on June 30 and December 31. The computations of financial ratios mentioned above are done based on the audited consolidated financial statements.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company, MMDC and NTC 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 subsidiaries in the United States, Japan, Hong Kong, Israel, and China are members of a state-managed retirement benefit plan operated by the government of each country. The subsidiaries are 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 plan

The Company, MMDC and NTC 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, MMDC and NTC contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Discount rate	2.25%	1.75%	2%
Expected return on plan assets	1.25%	2%	2%
Expected rate of salary increase	1%-3%	1%-3%	1%-3%

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

	For the Year Ended December 31	
	2013	2012
Current service cost	$ 37,032	$ 36,800
Interest cost	33,086	33,519
Expected return on plan assets	(19,236)	(19,177)
	$ 50,882	$ 51,142
Analysis by function		
Manufacturing expense	$ 22,332	$ 21,717
Selling expenses	2,647	2,839
General and administrative expenses	4,418	4,361
Research and development expenses	21,485	22,225
	$ 50,882	$ 51,142

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012 were gain of $36,810 thousand and loss of $187,984 thousand, respectively. The cumulative amount of actuarial losses recognized in other comprehensive income as of December 31, 2013 and 2012 were loss of $151,174 thousand and $187,984 thousand, respectively.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded defined benefit obligation	$ 1,895,781	$ 1,915,135	$ 1,694,184
Fair value of plan assets	(966,328)	(972,378)	(963,432)
Accrued pension liabilities	$ 929,453	$ 942,757	$ 730,752

Movements in present value of funded defined benefit obligation were as follows:

	For the Year Ended December 31	
	2013	2012
Opening defined benefit obligation	$ 1,915,135	$ 1,694,184
Current service cost	37,032	36,800
Interest cost	33,086	33,519
Actuarial (gain) loss	(43,714)	178,186
Benefit paid of plan assets	(45,758)	(27,554)
Closing defined benefit obligation	$ 1,895,781	$ 1,915,135

Movements in fair value of plan assets were as follows:

	For the Year Ended December 31	
	2013	2012
Opening fair value of plan assets	$ 972,378	$ 963,432
Actual return on plan assets	12,232	9,380
Contributions of plan assets	27,476	27,120
Benefit paid of plan assets	(45,758)	(27,554)
Closing fair value of plan assets	$ 966,328	$ 972,378

The major categories of plan assets at the end of reporting period were disclosed based on the information announced by Labor Pension Fund Supervisory Committee.

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, with reference to the use of the Labor Pension Fund by Labor Pension Fund Supervision Committee, taking into consideration the effect of possible differences between the guaranteed minimum income and the return on local banks' two-year time deposits.

The Group expects to make a contribution of $66,479 thousand to the defined benefit plan during the annual period beginning after 2014.

20. EQUITY

a. Common stock

	December 31, 2013	December 31, 2012	January 1, 2012
Number of shares authorized (in thousands)	6,700,000	6,700,000	6,700,000
Share authorized	$ 67,000,000	$ 67,000,000	$ 67,000,000
Number of shares issued and fully paid (in thousands)	3,694,023	3,685,601	3,680,230
Share issued	$ 36,940,232	$ 36,856,012	$ 36,802,302

Reconciliation of the Company outstanding share:

	Shares (In Thousands)	Capital
January 1, 2013	3,685,601	$ 36,856,012
Employee executed the stock options	8,422	84,220
December 31, 2013	3,694,023	$ 36,940,232
January 1, 2012	3,680,230	$ 36,802,302
Employee executed the stock options	5,371	53,710
December 31, 2012	3,685,601	$ 36,856,012

As of December 31, 2012, the balance of the Company's capital account amounted to $36,856,012 thousand, divided into 3,685,601 thousand shares at par $10.00 per share. Employees executed the stock options at $3.02 to $6.46 per share totaling 8,422 thousand shares during the year of 2013. As of December 31, 2013, the balance of the Company's capital account amount to $36,940,232 thousand, divided into 3,694,023 thousand shares at par $10.00 per share.

b. Retained earnings and dividend policy

According to the Company Law of the ROC and the Company's Articles of Incorporation, if the Company has surplus earnings at the end of a fiscal year, after covering all losses incurred in prior years and paying all taxes, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities from (1) the remaining amount plus undistributed retained earnings; or (2) the differences between the undistributed retained earnings and the losses suffered by the Company at the end of a fiscal year if the losses can be fully covered by the undistributed retained earnings, the Company shall distribute the remaining amount (if not otherwise set aside as special reserve and reserved based on business needs) in the following order:

a. 1% to 2% as remuneration to directors and supervisors;

b. 10% to 15% as bonus to employees;

c. The remaining amount as bonus to shareholders. Not less than 10% of the total shareholders bonus shall be distributed in form of cash.

"Employees" referred to in item b of the preceding paragraph, when distributing the stock bonus, include the employees of subsidiaries of the Company meeting certain criteria. The board of directors is authorized to determine the above "certain criteria" or the board of directors may authorize the Chairman to ratify the above "certain criteria".

The Company's results were loss for the years ended December 31, 2012 and 2011, so the stockholders' meetings on June 19, 2013 and June 15, 2012 did not include appropriations of earnings. The Company's results were loss for the year ended December 31, 2013; the Company's board of directors determined not to make appropriation of earnings on March 28, 2014. The relevant information about the Company is available on MOPS. The Company had operating loss in the years 2013, 2012 and 2011; thus it did not estimate bonus to employees, directors and supervisors.

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 a special reserve of an amount the same as that 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. At the transition date for the first-time adoption of IFRS, the Company had negative retained earnings; thus, the rule was not applicable to the Company.

c. Capital surplus

Movements in the capital surplus for the years ended December 31, 2013 and 2012 were as follows:

	Employee Stock Option	Treasury Stock	Change in Equity of Associates Accounted for Using Equity Method	Others	Total
January 1, 2012	$ 13,960	$ 1,971,862	$ 2,453	$ 222,784	$ 2,211,059
Change in equity of associates accounted for using equity method	-	-	(255)	-	(255)
Write-off of equity due to merger of subsidiary	-	-	3,886	-	3,886
Issuance of ordinary shares under employee stock options	(4,816)	-	-	(32,673)	(37,489)
Compensation cost of employee stock options	141	-	-	-	141
December 31, 2012	9,285	1,971,862	6,084	190,111	2,177,342
Issuance of ordinary shares under employee stock options	(7,588)	-	-	(50,742)	(58,330)
Change in equity of associates accounted for using equity method	-	-	29,347	-	29,347
December 31, 2013	$ 1,697	$ 1,971,862	$ 35,431	$ 139,369	$ 2,148,359

The capital surplus arising from treasury stock transactions, and the excess of the consideration received over the carrying amount of the subsidiaries' net assets during disposal or acquisition may be distributed as cash dividends or transferred to share capital, provided the Company has no deficit, and transfer is limited to a certain percentage of the Company's capital surplus and made once a year.

The capital surplus from investments accounted for using equity method and employee stock options may not be used for any purpose.

d. Other equity items

Exchange differences on translation of foreign financial statements are the exchange differences on net assets of foreign operations translated into the Company's functional currency (New Taiwan dollar), which are recognized directly in other comprehensive income. For the years ended December 31, 2013 and 2012, the Company recognized gain of $22,181 thousand and loss of $81,748 thousand in other comprehensive income, respectively.

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

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ (1,408,417)	$ (1,461,970)
Unrealized gains (losses) arising on revaluation of available-for-sale financial assets	876,993	13,648
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	610,479	39,905
Balance, end of year	$ 79,055	$ (1,408,417)

e. Non-controlling interests

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ 1,109,483	$ 1,031,924
Attributable to non-controlling interests		
Share of profit for the year	80,802	238,326
Exchange difference on translation of foreign financial statements	20,958	(11,527)
Actuarial gains and loss arising from defined benefit plans	395	(38,374)
Change in capital surplus from investments in associates accounted for using equity method	133	(248)
Others	(137,589)	(110,618)
Balance, end of year	$ 1,074,182	$ 1,109,483

f. Treasury stock

1) Treasury stock transactions for the year of 2013 were summarized as follows:

Purpose of Buyback	Treasury Stock Held as of January 1, 2013	Increase During the Year	Decrease During the Year	Treasury Stock Held as of December 31, 2013
Common shares held by subsidiaries	7,518,364	-	-	7,518,364

2) Treasury stock transactions for the year of 2012 were summarized as follows:

Purpose of Buyback	Treasury Stock Held as of January 1, 2012	Increase During the Year	Decrease During the Year	Treasury Stock Held as of December 31, 2012
Common shares held by subsidiaries	7,518,364	-	-	7,518,364

The Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Shares Held	Carrying Value	Market Value
December 31, 2013			
Baystar Holdings Ltd.	7,518,364	$ 106,387	$ 60,147
December 31, 2012			
Baystar Holdings Ltd.	7,518,364	$ 106,387	$ 37,968
January 1, 2012			
Baystar Holdings Ltd.	7,518,364	$ 106,387	$ 31,571

The purpose of holding the shares is to maintain stockholders' equity. The Company's shares held by subsidiaries were treated as treasury stock, and the holders are entitled to the rights of stockholders, except for the right to participate in the Company's share issuance for cash and vote in stockholders' meeting when the subsidiary held more than 50%. Other rights are the same as common stock.

21. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	Year Ended December 31, 2013			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	$ 2,057,003	$ 2,800,153	$ -	$ 4,857,156
Post-employment benefits	$ 106,015	$ 134,375	$ -	$ 240,390
Other long-term employment benefits	$ -	$ 44,633	$ -	$ 44,633
Depreciation	$ 6,078,748	$ 191,396	$ 7,548	$ 6,277,692
Amortization	$ 47,290	$ 99,041	$ 22,811	$ 169,142

	Year Ended December 31, 2012			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	$ 2,024,940	$ 2,680,061	$ -	$ 4,705,001
Post-employment benefits	$ 102,630	$ 125,184	$ -	$ 227,814
Other long-term employment benefits	$ -	$ 39,222	$ -	$ 39,222
Depreciation	$ 8,483,615	$ 163,193	$ 4,194	$ 8,651,002
Amortization	$ 44,756	$ 555,148	$ 18,717	$ 618,621

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2013	2012
Current income tax	$ 177,731	$ (198,922)
In respect of prior years	40,688	11,197
Deferred tax	52,869	362,762
Income tax expense recognized in profit or loss	$ 271,288	$ 175,037

Reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2013	2012
Profit (loss) before tax from continuing operations	$ 157,662	$ (149,348)
Adjustments		
Permanent differences	(3,187)	(62,125)
Others	5,256	6,551
Additional income tax on unappropriated earnings	18,000	6,000
Current income tax	177,731	(198,922)
Deferred income tax	52,869	362,762
Adjustment for prior years' tax	40,688	11,197
Income tax expense recognized in profit or loss	$ 271,288	$ 175,037

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.

b. Current tax liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Income tax payables (recorded as "other payables")	$ 122,350	$ 106,552	$ 86,204

c. As of December 31, 2013, December 31, 2012 and January 1, 2012, deferred income tax assets of $4,088,406 thousand, $4,219,354 thousand and $4,274,277 thousand, respectively were mainly net operating loss carryforwards and investment tax credit.

d. Information about the Group's investment tax credit, operating loss carryforwards as of December 31, 2013, the Company's investment tax credit was as follows:

Law	Tax Credit Item	Credit	Expiry Year
Statute for Upgrading Industries	Machinery equipment	$ 239,000	2014

As of December 31, 2013, WECA's operating loss carryforward was US$15,642 thousand, and will expire in 2025.

As of December 31, 2013, the Company's operating loss carryforwards comprised of:

Operating Loss Carryforwards	Expiry Year
$ 3,700,000	2015-2019
559,000	2022
$ 4,259,000	

As of December 31, 2013, NTC's profits attributable to the following expansion projects were exempted from income tax for a five-year period:

Expansion of Construction Project	Tax-exemption Period
Advanced integrated circuit design	2014-2018

e. The information on the Company's integrated income tax was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Balance of imputation credit account	$ 297,186	$ 252,935	$ 217,239
Undistributed earnings for the years of 1997 and before	$ -	$ -	$ -
Undistributed deficits for the years of 1998 and thereafter	$ (4,187,772)	$ (4,430,750)	$ (2,418,258)

f. The Company's tax returns through 2010 have been assessed by the tax authorities. NTC's (a subsidiary of the Company) tax returns through 2011, except 2010, have been assessed by the tax authorities. NTC disagreed with the tax authorities' assessment of its 2010 tax return and applied for a re-examination. Nevertheless, to be conservative, the Group provided for the income tax assessed by the tax authorities.

23. EARNINGS (LOSS) PER SHARE

	Year Ended December 31, 2013				
	Amounts (Numerator)			Earnings Per Share (NT$)	
	Before Tax	After Tax and Attributable to Owners of the Parent	Shares (Denominator) (In Thousands)	Before Tax	After Tax and Attributable to Owners of the Parent
Basic earnings per share					
Net income attributed to common shareholders	$ 558,654	$ 206,564	3,682,410	$ 0.15	$ 0.06
Effect of potentially dilutive ordinary shares					
Employee stock option	-	-	287		
Diluted earnings per share					
Net income attributed to common shareholders	$ 558,654	$ 206,564	3,682,697	$ 0.15	$ 0.06

	Year Ended December 31, 2012				
	Amounts (Numerator)			Loss Per Share (NT$)	
	Before Tax	After Tax and Attributable to Owners of the Parent	Shares (Denominator) (In Thousands)	Before Tax	After Tax and Attributable to Owners of the Parent
Basic loss per share					
Net loss attributed to common shareholders	$ (1,449,520)	$ (1,862,883)	3,676,698	$ (0.39)	$ (0.51)

24. SHARE-BASED PAYMENT ARRANGEMENT

Employee Stock Option

In 2008 and 2009, the Company granted employee stock options in the quantity of 45,764 thousand and 1,585 thousand units, respectively. Each individual employee stock option is granted the right to purchase the Company's new issued one common share. The stock options were granted to qualified employees of the Company and its subsidiaries. The stock options granted are valid for 5 years and exercisable at certain percentages after the second anniversary year from the grant date. The stock options were granted at an exercise price equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price and the number of options are adjusted accordingly.

As of December 31, 2013 and 2012, employee stock options were summarized as follows:

	Year Ended December 31			
	2013		2012	
Employee Stock Options	Number of Options (In Thousands)	Weighted Average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted Average Exercise Price (NT$)
Outstanding balance, beginning of year	9,774	$ 3.28	15,516	$ 3.20
Options exercised	(8,422)	3.07	(5,371)	3.02
Options expired	(393)	3.32	(371)	3.49
Outstanding balance, end of year	959	5.08	9,774	3.28
Options exercisable, end of year	959	5.08	9,751	3.28

Information about outstanding options was as follows:

December 31			
2013		2012	
Range of Exercise Price (NT$)	Weighted Average Remaining Contractual Life (Years)	Range of Exercise Price (NT$)	Weighted Average Remaining Contractual Life (Years)
$3.19-$6.46	0.39	$3.02-$6.46	0.90

The Company used the fair value method to evaluate the option using Black-Scholes model, the assumptions and proforma result were as follows:

Grant-date share price (NT$)	$3.02-$6.46
Exercise price (NT$)	$3.02-$6.46
Expected volatility	52.03%-74.48%
Expected duration (years)	3.75
Expected dividend yield	0%
Risk-free interest rate	0.94%-1.95%

Compensation costs recognized under the fair value method were zero and $198 thousand for the years ended December 31, 2013 and 2012, respectively.

25. NON-CASH TRANSACTIONS

	2013	2012
Non-cash investing and financing activities		
Current portion of long-term borrowings	$ 3,863,097	$ 4,483,330
Exchange differences on translation of foreign financial statements	$ 22,181	$ (81,748)
Unrealized gain on available-for-sale financial assets	$ 1,487,472	$ 53,553
Change in equity of associates accounted for using equity method	$ 29,347	$ 3,631
Acquisitions of available-for-sale financial assets by offset with accounts receivable	$ 6,330	$ 86,501

(Continued)

	2013	2012
Property, plant and equipment was reclassified to investment properties	$ -	$ 82,328
Property, plants and equipment was reclassified to finance lease receivable	$ 527,656	$ -

(Concluded)

26. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

a. Lease arrangements

The Group leased land from Science Park Administration until 2023 and the lease term can extended after the expiration of the lease periods.

The Group leased some of the offices in the United States, China, Japan, Israel, and part in Taiwan, and the lease terms will expire between 2013 and 2016 which can be extended after the expiration of the lease periods.

As of December 31, 2013, December 31, 2012 and January 1, 2012, deposits paid under operating leases amounted to $19,152 thousand, $15,786 thousand and $16,637 thousand, respectively (recorded as "other non-current assets").

b. Lease expense

	2013	2012
Lease expenditure	$ 89,451	$ 88,047

27. CAPITAL MANAGEMENT

The Group's capital management objective is to ensure it has the necessary financial resources and operational plan so that it can cope with the next twelve months working capital requirements, capital expenditures, debt repayments and dividends payments.

28. RELATED PARTY TRANSACTIONS

a. The names and relationships of related parties are as follows:

Related Party	Relationship with the Group
Walsin Lihwa Corporation	Investor that exercises significant influence over the Group
Nyquest Technology Co., Ltd.	Associate
Global Brands Manufacture Ltd.	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Global Brands Manufacture (Dongguan) Ltd.	Related party in substance
Walton Advanced Engineering (Suzhou) Inc.	Related party in substance
Capella Microsystems Inc.	Related party in substance

b. Operating activities

	For the Year Ended December 31 2013	2012
1) Operating revenue		
Associate	$ 245,740	$ 212,401
Related party in substance	254,448	154,053
	$ 500,188	$ 366,454
2) Purchase		
Associate	$ 2,349	$ 4,179
3) Manufacturing expenses		
Related party in substance	$ 2,329,857	$ 2,142,353
4) General and administrative expenses		
Investor that exercises significant influence over the Group	$ 8,651	$ 7,891
5) Research and development expenses		
Associate	$ -	$ 174
6) Other revenue		
Associate	$ 398	$ -

	December 31, 2013	December 31, 2012	January 1, 2012
7) Accounts receivable due from related parties			
Associate	$ 35,405	$ 31,109	$ 36,506
Related party in substance	54,349	14,964	14,133
	$ 89,754	$ 46,073	$ 50,639
8) Accounts payable from related parties			
Related party in substance	$ 518,745	$ 531,278	$ 713,278
Investor that exercises significant influence over the Group	2,609	2,654	2,113
Associate	264	407	526
	$ 521,618	$ 534,339	$ 715,917

	December 31, 2013	December 31, 2012	January 1, 2012
9) Other receivables and other current assets			
Investor that exercises significant influence over the Group	$ -	$ 20	$ 1,438
10) Other payables			
Related party in substance	$ 7,178	$ 6,487	$ 9,359
Investor that exercises significant influence over the Group	1,048	1,076	2,496
Associate	13	203	-
	$ 8,239	$ 7,766	$ 11,855
11) Refundable deposits (recorded as "other non-current assets")			
Investor that exercises significant influence over the Group	$ 203	$ 203	$ 203

The related party transactions were conducted under normal terms.

c. Investment properties acquired

For the year ended December 31, 2013

Related Parties Types	Securities Name	Shares (Thousand)	Acquired Price
Investor that exercises significant influence over the Group	Chin Xin Investment Co., Ltd.	12,128	$ 151,236

For the year ended December 31, 2012

Related Parties Types	Securities Name	Shares (Thousand)	Acquired Price
Investor that exercises significant influence over the Group	Chin Xin Investment Co., Ltd.	40,000	$ 403,856

d. Guarantee

As of December 31, 2013, the chairman of the Company is a joint guarantor of the long-term borrowings - Bank of Taiwan Syndication Agreement (II). Please refer to Note 18.

e. Compensation key management personnel

	For the Year Ended December 31	
	2013	2012
Short-term employment benefits	$ 201,987	$ 181,376
Post-employment benefits	4,595	3,582
Share - based payments	7,815	1,019
Other long-term employment benefits	183	129
	$ 214,580	$ 186,106

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

29. PLEDGED AND COLLATERALIZED ASSETS

Please refer to Note 6, Note 10, Note 15 and Note 18.

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Amounts available under unused letters of credit as of December 31, 2013 were approximately US$8,485 thousand and JPY58,451 thousand.

31. FINANCIAL INSTRUMENT

a. Categories of financial instruments

1) Fair values of financial instruments were summarized as follows:

	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Loans and receivables						
Cash and cash equivalents	$ 7,670,379	$ 7,670,379	$ 5,710,913	$ 5,710,913	$ 5,895,681	$ 5,895,681
Notes and accounts receivable (included related parties)	4,995,921	4,995,921	4,655,320	4,655,320	4,165,067	4,165,067
Other receivables	300,116	300,116	325,331	325,331	272,051	272,051
Refundable deposits (recorded in other non-current assets)	153,570	153,570	148,981	148,981	160,149	160,149
Finance lease receivable (recorded in other non-current assets)	440,436	440,436	-	-	-	-
Financial assets at FVTPL	-	-	28,721	28,721	3,676	3,676
Available-for-sale financial assets (current and non-current)	2,071,183	2,071,183	768,621	768,621	1,256,710	1,256,710
Held-to-maturity financial assets	97,770	96,792	-	-	-	-
Financial assets measured at cost	656,676	656,676	678,588	678,588	1,301,667	1,301,667
	$ 16,386,051	$ 16,385,073	$ 12,316,475	$ 12,316,475	$ 13,055,001	$ 13,055,001
Financial liabilities						
Measured at amortized cost						
Short-term borrowings	$ 2,072,708	$ 2,072,708	$ 2,716,474	$ 2,716,474	$ 1,681,092	$ 1,681,092
Short-term bills payable	-	-	499,376	499,376	199,763	199,763
Notes and accounts payable	3,784,595	3,784,595	4,234,119	4,234,119	4,061,518	4,061,518
Payable on equipment and other payables	2,685,516	2,685,516	2,431,991	2,431,991	2,861,846	2,861,846
Long-term borrowings	9,939,290	9,939,290	11,033,330	11,033,330	15,124,990	15,124,990
Financial liabilities at FVTPL	16,545	16,545	-	-	-	-
	$ 18,498,654	$ 18,498,654	$ 20,915,290	$ 20,915,290	$ 23,929,209	$ 23,929,209

2) Fair value measurements recognized in the balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable:

a) Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets at FVTPL	$ -	$ 3,533	$ 3,461
Available-for-sale financial assets	1,790,113	704,091	1,127,110
Held-to-maturity financial assets	96,792	-	-
	$ 1,886,905	$ 707,624	$ 1,130,571

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 or indirectly.

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets at FVTPL	$ -	$ 25,188	$ 215
Available-for-sale financial assets	281,070	64,530	129,600
	$ 281,070	$ 89,718	$ 129,815
Financial liabilities at FVTPL	$ 16,545	$ -	$ -

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. Financial risk management objectives and policies

The Group's major financial instruments included equity and debt investments, borrowings accounts receivable and accounts payable. 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, 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 provide written principles on foreign exchange risk, and use of financial derivatives. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts and to hedge the foreign currency risk on export.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group uses forward foreign exchange contracts to hedge the exchange rate risk within approved policy parameters utilizing forward foreign exchange contracts.

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and an increase in net income and equity if New Taiwan dollars strengthen by 1% against U.S. dollars. For a 1% weakening of New Taiwan dollars against US dollars, there would be impact on net income in the amounts of $19,298 thousand and $33,707 thousand for the years ended December 31, 2013 and 2012, respectively.

b) Interest rate risk

The Group's interest rate risk arises primarily from floating rate deposits and 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
Cash flow interest rate risk			
Financial assets	$ 5,678	$ 15,920	$ 280,648
Financial liabilities	9,939,290	11,200,934	15,463,475

The sensitivity analyses below were determined based on the Group's exposure to interest rates for fair value of variable-rate derivatives instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Group's cash flows for the years ended December 31, 2013 and 2012 would have increased by $99,336 thousand and $111,850 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

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. In order to minimize credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual accounts receivables at the end of the reporting period to ensure that adequate impairment losses are recognized for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk was significantly reduced.

3) Liquidity risk

The Group has enough operating capital to comply with loan covenants; liquidity risk is low.

- The Group's non-derivative financial liabilities and their agreed repayment period were as follows:

	December 31, 2013			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 6,470,111	$ -	$ -	$ 6,470,111
Variable interest rate liabilities	3,863,097	4,979,763	1,096,430	9,939,290
Fixed interest rate liabilities	2,072,708	-	-	2,072,708
	$ 12,405,916	$ 4,979,763	$ 1,096,430	$ 18,482,109

	December 31, 2012			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 6,666,110	$ -	$ -	$ 6,666,110
Variable interest rate liabilities	4,650,934	2,733,333	3,816,667	11,200,934
Fixed interest rate liabilities	3,048,246	-	-	3,048,246
	$ 14,365,290	$ 2,733,333	$ 3,816,667	$ 20,915,290

	January 1, 2012			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 6,923,364	$ -	$ -	$ 6,923,364
Variable interest rate liabilities	7,496,812	4,216,663	3,750,000	15,463,475
Fixed interest rate liabilities	1,542,370	-	-	1,542,370
	$ 15,962,546	$ 4,216,663	$ 3,750,000	$ 23,929,209

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			December 31, 2012			January 1, 2012		
	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)
Financial assets									
Monetary items									
USD	$ 238,331	29.805	$ 7,103,462	$ 238,052	29.04	$ 6,913,019	$ 198,558	30.275	$ 6,011,352
EUR	1,451	41.09	59,626	951	38.49	36,586	2,075	39.18	81,307
JPY	892,614	0.2839	253,413	646,039	0.3364	217,328	2,617,609	0.3906	1,022,438
RMB	123,469	4.8885	603,579	99,603	4.6202	460,188	38,935	4.8049	187,081
ILS	40,764	8.5851	349,967	35,355	7.7845	275,217	28,287	7.925	224,175
AUD	-	-	-	-	-	-	2,706	30.735	83,169
Non-monetary items									
USD	16,439	29.805	489,978	15,281	29.04	443,766	16,140	30.275	488,647
KRW	-	-	-	-	-	-	5,351,246	0.0263	140,738
Financial liabilities									
Monetary items									
USD	122,410	29.805	3,648,423	80,871	29.04	2,348,480	114,872	30.275	3,477,755
EUR	24,551	41.09	1,008,797	1,270	38.49	48,866	2,197	39.18	86,063
JPY	749,693	0.2839	212,838	795,851	0.3364	267,633	2,398,822	0.3906	936,980
ILS	3,975	8.5851	34,123	5,136	7.7845	39,978	3,082	7.925	24,425
RMB	41,836	4.8885	204,513	4,441	4.6202	20,518	2,103	4.8049	10,106

33. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

The Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

a) Segment of DRAM IC product

The DRAM IC product segment engages mainly in the manufacturing, selling, researching, designing and after-sales service of Mobile RAM, Specialty DRAM, Graphic DRAM and Commodity DRAM.

b) Segment of Flash Memory product

The Flash Memory product segment engages mainly in the manufacturing, selling, researching, designing and after-sales service of Flash Memory product.

c) Segment of Logic IC product

The Logic IC product segment engages mainly in the manufacturing, selling, researching, designing and after-sales service of Logic IC product.

2) Principles of measuring reportable segments, profit, assets and liabilities:

The significant accounting principles of each operating segment are the same as those stated in Note 4 to the consolidated financial statements. The Group's operating segment profit or loss represents the profit or loss earned by each segment. The profit or loss is controllable by segment managers and is the basis for assessment of segment performance. Individual segment assets are disclosed as zero since those measures are not reviewed by the chief operating decision maker. Major liabilities are arranged based on the capital cost and deployment of the whole company, which are not controlled by individual segment managers.

b. Segment revenues and operating results

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

	Segment Revenue		Segment Profit and Loss	
	Years Ended December 31		Years Ended December 31	
	2013	2012	2013	2012
DRAM IC product	$ 15,644,586	$ 14,804,286	$ 926,082	$ (1,278,844)
Flash Memory product	10,712,265	10,811,168	991,350	902,832
Logic IC product	6,776,926	7,348,191	1,092,023	1,481,441
Total of segment revenue	33,133,777	32,963,645	3,009,455	1,105,429
Other revenue	1,671	1,638	1,671	1,638
Operating revenue	$ 33,135,448	$ 32,965,283		
Unallocated expenditure				
Administrative and supporting expense			(980,725)	(1,126,336)
Sales and other common expenses			(1,265,203)	(1,262,093)
Total operating profit (loss)			$ 765,198	$ (1,281,362)

c. Geographical information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets (non-current assets exclude financial instruments, deferred income tax assets and post-employment benefit assets) by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets		
	Year Ended December 31		December 31,	December 31,	January 1,
	2013	2012	2013	2012	2012
Asia	$ 31,265,988	$ 30,672,773	$ 24,924,544	$ 29,138,811	$ 35,613,954
United States	1,143,967	1,501,960	218,766	233,976	279,391
Europe	607,162	660,024	-	-	-
Others	118,331	130,526	-	-	-
	$ 33,135,448	$ 32,965,283	$ 25,143,310	$ 29,372,787	$ 35,893,345

d. Major customer information

No individual customer exceeded 10% of the Group's net sales for the years ended December 31, 2013 and 2012.

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, 2012 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 of the transition to IFRSs

After transition to IFRSs, the impact on the Group's consolidated balance sheets and consolidated statement 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		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Assets						
Current assets					Current assets	
Cash and cash equivalents	$ 6,002,597	$ -	$ (106,916)	$ 5,895,681	Cash and cash equivalents	Note 1
Financial assets at fair value through profit or loss, current	3,676	-	-	3,676	Financial assets at fair value through profit or loss, current	
Available-for-sale financial assets, current	902,713	-	-	902,713	Available-for-sale financial assets, current	
Notes and accounts receivable, net	4,114,428	-	-	4,114,428	Notes and accounts receivable, net	
Accounts receivable due from related parties, net	50,639	-	-	50,639	Accounts receivable due from related parties, net	
Other financial assets, current	165,135	-	106,916	272,051	Other receivables	Note 1
Inventories	7,272,562	-	-	7,272,562	Inventories	

(Continued)

ROC GAAP Item	ROC GAAP Amount	Impact of Transition to IFRSs: Recognition and Measurement Difference	Impact of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Note
Deferred income tax assets, current	$ 281,638	$ -	$ (281,638)	$ -	-	Note 2
Other current assets	420,635	-	-	420,635	Other current assets	
Total current assets	19,214,023	-	(281,638)	18,932,385	Total current assets	
Fund and investments					Non-current assets	
Available-for-sale financial assets, non-current	353,997	-	-	353,997	Available-for-sale financial assets, non-current	
Financial assets carried at cost, non-current	1,245,403	56,264	-	1,301,667	Financial assets measured at cost, non-current	Note 3
Long-term equity investments at equity method	65,092	-	-	65,092	Investment accounted for using equity method	
Total fund and investments	1,664,492	56,264	-	1,720,756		
Property, plant and equipment	35,149,539	-	-	35,149,539	Property, plant and equipment	
Intangible assets	639,191	-	-	639,191	Intangible assets	
Other assets						
Deferred income tax assets, non-current	3,992,639	-	281,638	4,274,277	Deferred income tax assets	Note 2
Others	264,765	-	-	264,765	Others non-current assets	
Total other assets	4,257,404	-	281,638	4,539,042	Total non-current assets	
Total	$ 60,924,649	$ 56,264	$ -	$ 60,980,913	Total	
Liabilities and stockholder's equity						
Current liabilities					Current liabilities	
Short-term loans	$ 1,681,092	$ -	$ -	$ 1,681,092	Short-term borrowings	
Short-term bills payable	199,763	-	-	199,763	Short-term bills payable	
Notes payable	849,713	-	-	849,713	Notes payable	
Accounts payable	3,211,805	-	-	3,211,805	Accounts payable	
Payable on equipment	650,233	-	-	650,233	Payable on equipment	
Accrued expenses and other payables	2,151,012	60,601	-	2,211,613	Other payables	Note 4
Current portion of long-term liabilities	7,158,327	-	-	7,158,327	Current portion of long-term borrowings	
Other current liabilities	68,865	-	-	68,865	Other current liabilities	
Total current liabilities	15,970,810	60,601	-	16,031,411	Total current liabilities	
Long-term liabilities					Non-current liabilities	
Long-term debt	7,966,663	-	-	7,966,663	Long-term borrowings	
Other liabilities						
Accrued pension liabilities	368,676	362,076	-	730,752	Accrued pension liabilities	Note 5
Others	193,417	-	-	193,417	Others non-current liabilities	
Total other liabilities	562,093	362,076	-	924,169	Total non-current liabilities	
Total liabilities	24,499,566	422,677	-	24,922,243	Total liabilities	
Equity attributable to stockholders of the parent					Equity attributable to owners of the parent	
Common stock	36,802,302	-	-	36,802,302	Common stock	
Capital surplus	2,232,519	(21,460)	-	2,211,059	Capital surplus	Note 6
Accumulated deficits	(2,483,440)	65,182	-	(2,418,258)	Accumulated deficits	
Cumulative translation adjustments	359,900	(359,900)	-	-	Exchange difference on translation of foreign financial statements	Note 7
Unrealized loss on financial instruments	(1,449,394)	(12,576)	-	(1,461,970)	Unrealized gain (loss) on available-for-sale financial assets	Note 8
Treasury stock	(106,387)	-	-	(106,387)	Treasury stock	
Equity attributable to stockholders of the parent	35,355,500	(328,754)	-	35,026,746	Total equity attributable to owners of the parent	
Minority interest	1,069,583	(37,659)	-	1,031,924	Non-controlling interests	Note 9
Total stockholders' equity	36,425,083	(366,413)	-	36,058,670	Total equity	
Total	$ 60,924,649	$ 56,264	$ -	$ 60,980,913	Total	

(Concluded)

Note 1: The Group's long-term time deposits, in accordance with the IFRSs are classified as other receivables. Please see Note e) 4).

Note 2: Deferred income tax assets, current, in accordance with IFRSs are classified as non-current items. Please see Note e) 1).

Note 3: The translation of functional currency of subsidiaries to retroactively adjust financial assets measured at cost, non-current. Please see Note e) 7).

Note 4: Under IAS No. 19, the Group recognized as expense when employees provide service to increase their paid vacation. Please see Note e) 2).

Note 5: Under IAS No. 19, "Employee Benefits," the Group elects to recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The subsequent reclassification to earnings is not permitted. Please see Note e) 3).

Note 6: The changes of investment percentage arise when the investment company did not subscribe for new shares issued by the investee; the increase or decrease in the investment company's equity is adjusted in the capital surplus. In accordance with IFRSs, the above-mentioned capital surplus should be restrospectively adjusted to accumulated deficits. Please see Note e) 5).

Note 7: In accordance with IFRS 1, the Group elected to set to zero its cumulative translation adjustment in stockholders' equity by reclassifying the amount to retained earnings at the date of transition to IFRS. Please see Note d).

Note 8: The translation of functional currency of subsidiaries restrospectively adjusted unrealized loss on financial instruments. Please see Note e) 7).

Note 9: The equity of subsidiaries was decreased on January 1, 2012; thus, so non-controlling interest was adjusted retroactively.

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

ROC GAAP		Impact of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Assets						
Current assets					Current assets	
Cash and cash equivalents	$ 5,814,928	$ -	$ (104,015)	$ 5,710,913	Cash and cash equivalents	Note 1
Financial assets at fair value through profit or loss, current	28,721	-	-	28,721	Financial assets at fair value through profit or loss, current	
Available-for-sale financial assets, current	704,091	-	-	704,091	Available-for-sale financial assets, current	
Notes and accounts receivable, net	4,609,247	-	-	4,609,247	Notes and accounts receivable, net	
Accounts receivable due from related parties, net	46,073	-	-	46,073	Accounts receivable due from related parties, net	
Other financial assets, current	221,316	-	104,015	325,331	Other receivables	Note 1
Inventories	8,108,677	-	-	8,108,677	Inventories	
Deferred income tax assets, current	222,356	-	(222,356)	-	-	Note 2
Other current assets	532,212	-	-	532,212	Other current assets	
Total current assets	20,287,621	-	(222,356)	20,065,265	Total current assets	
Fund and investments					Non-current assets	
Available-for-sale financial assets, non-current	64,530	-	-	64,530	Available-for-sale financial assets, non-current	
Financial assets carried at cost, non-current	604,185	74,403	-	678,588	Financial assets measured at cost, non-current	Note 3
Long-term equity investments at equity method	1,727,128	(595)	-	1,726,533	Investments accounted for using equity method	Note 4
Total fund and investments	2,395,843	73,808	-	2,469,651		

(Continued)

R.O.C. GAAP Item	R.O.C. GAAP Amount	Impact of Transition to IFRSs: Recognition and Measurement Difference	Impact of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Note
Property, plant and equipment	$ 29,021,114	$ -	$ -	$ 29,021,114	Property, plant and equipment	
-	-	-	80,747	80,747	Investment properties	Note 5
Intangible assets	183,310	-	-	183,310	Intangible assets	
Other assets						
Deferred income tax assets, non-current	3,996,998	-	222,356	4,219,354	Deferred income tax assets	Note 2
Others	334,251	(16,907)	(80,747)	236,597	Other non-current assets	Note 5
Total other assets	4,331,249	(16,907)	141,609	4,455,951	Total non-current assets	
Total	$ 56,219,137	$ 56,901	$ -	$ 56,276,038	Total	
Liabilities and stockholder's equity						
Current liabilities					Current liabilities	
Short-term loans	$ 2,716,474	$ -	$ -	$ 2,716,474	Short-term borrowings	
Short-term bills payable	499,376	-	-	499,376	Short-term bills payable	
Notes payable	812,253	-	-	812,253	Notes payable	
Accounts payable	3,421,866	-	-	3,421,866	Accounts payable	
Payable for equipment	173,632	-	-	173,632	Payable on equipment	
Accrued expenses and other payables	2,187,998	70,361	-	2,258,359	Other payables	Note 6
Current portion of long-term liabilities	4,483,330	-	-	4,483,330	Current portion of long-term borrowings	
Other current liabilities	78,085	(256)	-	77,829	Other current liabilities	Note 4
Total current liabilities	14,373,014	70,105	-	14,443,119	Total current liabilities	
Long-term liabilities					Non-current liabilities	
Long-term debt	6,550,000	-	-	6,550,000	Long-term borrowings	
Other liabilities						
Accrued pension liabilities	417,477	525,280	-	942,757	Accrued pension liabilities	Note 7
Others	220,680	3,947	-	224,627	Other non-current liabilities	
Total other liabilities	638,157	529,227	-	1,167,384	Total non-current liabilities	
Total liabilities	21,561,171	599,332	-	22,160,503	Total liabilities	
Equity attributable to stockholders of the parent					Equity attributable to owners of the parent	
Common stock	36,856,012	-	-	36,856,012	Common stock	
Capital surplus	2,199,126	(21,784)	-	2,177,342	Capital surplus	Note 8
Accumulated deficits	(4,335,976)	(94,774)	-	(4,430,750)	Accumulated deficits	
Cumulative translation adjustments	268,081	(349,829)	-	(81,748)	Exchange difference on translation of foreign financial statements	Note 9
Unrealized loss on financial instruments	(1,408,417)	-	-	(1,408,417)	Unrealized gain (loss) on available-for-sale financial assets	
Treasury stock	(106,387)	-	-	(106,387)	Treasury stock	
Equity attributable to stockholders of the parent	33,472,439	(466,387)	-	33,006,052	Total equity attributable to owners of the parent	
Minority interest	1,185,527	(76,044)	-	1,109,483	Non-controlling interest	Note 10
Total stockholders' equity	34,657,966	(542,431)	-	34,115,535	Total equity	
Total	$ 56,219,137	$ 56,901	$ -	$ 56,276,038	Total	

(Concluded)

Note 1: The Group's long-term time deposits, in accordance with the IFRSs are classified as other receivable. Please see Note e) 4).

Note 2: Deferred income tax assets, current, in accordance with IFRSs are classified as non-current items. Please see Note e) 1).

Note 3: The translation of functional currency of subsidiaries retroactively adjusted financial asset measured at cost, non-current. Please see Note e) 7).

Note 4: Unrealized profit from downstream transactions with an equity-method investee would be converted from other current liabilities to investments accounted for using equity method. Please see Note e) 6).

Note 5: A property held under an operating lease was reclassified from other assets to investment properties. Please see Note e) 8).

Note 6: Under IAS No. 19, the Group recognized as expense when employees provide service to increase their paid vocation. Please see Note e) 2).

Note 7: Under IAS No. 19, "Employee Benefits," the Group elects to recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The subsequent reclassification to earnings is not permitted. According IAS No. 19, the Company reclassified unrecognized actuarial loss into accumulated loss, which increased by $362,076 thousand accrued pension liabilities. Furthermore, under IAS No. 19, the Group reclassified net pension cost and difference in actuarial loss into other comprehensive income, which increased non-current assets by $163,204 thousand. As a result, accrual pension liabilities increased by $525,280 thousand. Please see Note e) 3).

Note 8: The changes of investment percentage arise when the investment company increased investment but did not subscribe for new shares issued by the investee; the increase or decrease in the investment company's equity is adjusted in the capital surplus. In accordance with the IFRSs, the above-mentioned capital surplus should be restrospectively adjusted to accumulated losses. The capital surplus had decreased by $21,784 thousand. Please see Note e) 5).

Note 9: In accordance with IFRS 1, the Group elected to set to zero its cumulative translation adjustment in stockholders' equity by reclassifying the amount to retained earnings at the date of translation to IFRS. The cumulative translation adjustment decreased by $359,900 thousand. The translation of functional currency increased cumulative translation adjustments by $10,071 thousand. Please see Note e) 5).

Note 10: The equity of subsidiaries was decreased on December 31, 2012, so non-controlling interest was adjusted retroactively.

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

ROC GAAP		Impact of Transition to IFRSs	IFRSs		
Item	Amount	Amount	Amount	Item	Note
Operating revenue	$ 32,965,283	$ -	$ 32,965,283	Operating revenue	
Operating cost	27,804,925	(2,627)	27,802,298	Operating cost	Note 1
Less: Unrealized gain on inter-affiliate	(74)	74	-	-	
Gross profit	5,160,284	2,701	5,162,985	Gross profit	
Operating expense	6,439,759	4,588	6,444,347	Total operating expenses	Note 1
Loss from operations	(1,279,475)	(1,887)	(1,281,362)	Loss from operations	
Non-operation income and expense	(160,596)	(7,562)	(168,158)	Non-operating income and losses	Notes 2 and 3
Loss before income tax	(1,440,071)	(9,449)	(1,449,520)	Loss before income tax	
Income tax expense	(175,037)	-	(175,037)	Income tax expense	
Net loss	$ (1,615,108)	$ (9,449)	(1,624,557)	Net loss	
			(93,274)	Exchange differences on translation of foreign financial statements	
			53,553	Unrealized gain on available-for-sale financial assets	
			(187,984)	Actuarial gain and losses arising from defined benefit plans	
			(227,705)	Other comprehensive income	
			$ (1,852,262)	Total comprehensive income	

Note 1: Under IAS No. 19, the Group increased "salary expenses". Pension cost and other comprehensive income were also adjusted for the year ended December 31, 2012. Please see Note 5) b) and c).

Note 2: Investments accounted for using equity method caused equity changes. Under ROC GAAP, the change is recognized as capital surplus, but under IFRSs it is recognized as investment gain, so investment gain increased by $190 thousand. Please see Note e) 5).

Note 3: Change of functional currency of subsidiaries is retroactively adjusted; as a result, it increased the available-for-sale financial assets. The Group disposed of financial assets and increased investment loss by $12,576 thousand. Otherwise, the Group recognized foreign exchange gain of $3,908 thousand, which is due to subsidiary's capital reduction.

d. 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:

1) Share-based payment

The Group elected to adjust retrospectively the shared-based payment transactions granted and vested before the date of transition to IFRSs.

2) Employee benefits

The Group elected to recognize all cumulative actuarial gains and losses in accumulated deficits at the date of transition to IFRSs.

3) Exchange differences on translation of foreign financial statements

The Group elected to set to zero its cumulative translation adjustment in stockholders' equity by reclassifying the amount to accumulated deficits at the date of transition to IFRSs.

4) Compound financial instruments

As the liability component was no longer outstanding at the date of transition to IFRSs, the Group elected not to split the compound financial instruments issued before the date of transition to IFRSs into separate two portions of equity.

5) Borrowing costs

The Group elected to capitalize borrowing costs that meet the elements for capitalization of borrowing costs. Capitalization starts on the date of transition to IFRSs.

The effect of the above-mentioned optional exemptions elected by the Group was stated in the following Note e. Explanations of significant reconciling items in the transition to IFRSs.

e. 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:

1) Deferred income tax asset/liability

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

In addition, under ROC GAAP, a deferred tax asset or liability is classified as current or non-current 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 non-current asset or liability.

2) Short-term employee benefits

Short-term employee benefits under ROC GAAP are not expressly stipulated and usually recorded when paid. After the date of transition to IFRS, it is recognized the accumulating compensated absences as an expense when employees provided services to increase their vacation.

3) Employee benefits - gain or loss on actuarial valuation of defined benefit plan

According to SFAS No. 18, the unrecognized transition obligation due to first adoption of SFAS No. 18, "Accounting for Pension," should be amortized over the expected remaining working lives of employees. On the date of transition to IFRSs, the retained earnings should be adjusted for unrecognized transition obligation.

Under ROC GAAP, when using the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees. Under IAS No. 19, "Employee Benefits," the Group elects to recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The subsequent reclassification to earnings is not permitted.

4) Reclassification of long-term time deposit

Under ROC GAAP, time deposit is classified as cash if it is readily convertible to a known amount of cash and subject only to an insignificant risk of changes in value. Under IFRSs, time deposits held for the purpose of meeting short-term cash commitments are classified as cash and cash equivalents and others are classified as other financial assets.

5) Long-term equity investments when associates/subsidiaries issue new shares and the shareholder is not subscribing in accordance with its percentage of shares of the investee/parent company

According to ROC GAAP, the changes of investment percentage that arise when the investment company does not subscribe for new shares issued by the investee in accordance with its percentage of ownership before the new subscription is adjusted in the "capital surplus and "long-term equity investment."

Under IFRSs, such transaction is deemed a disposal and the aforementioned difference is recognized in the same accounts accordingly. In addition, according to "Q&A for adopting IFRSs" issued by the TSE, accounts that do not conform to IFRSs or not covered under the Company Law as well as capital surplus items required by the Ministry of Economic Affairs should be adjusted at the date of transition to IFRSs.

6) Downstream transactions with an equity-method investee

Under ROC GAAP, profit from downstream transactions with an investee under equity-method is eliminated in proportion to the Group's percentage of ownership in the investee. Under IFRSs, unrealized profit is reclassified to sales, cost of sales and investment income recognized under equity-method.

7) Translation of functional currency of foreign operations

Under ROC GAAP, various indicators are comprehensively evaluated to identify functional currency. Under IFRSs, IAS No. 21 "The Effects of Changes in Foreign Exchange Rates" rules that the primary indicators should be considered first and then the secondary indicators in the determination of functional currency. According to the rules, the overseas associates and subsidiaries changed their functional currency from U.S. dollars to N.T. dollars and adjusted retroactively the balances of assets and liabilities in N.T. dollars at the date of transition to IFRSs.

8) Investment properties

Under ROC GAAP, a property held under an operating lease may be classified as other assets; under IFRSs, property held to earn rentals or capital appreciation or both should be reclassified to investment properties.