Pacific Hospital Supply Co., Ltd. and Subsidiaries

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

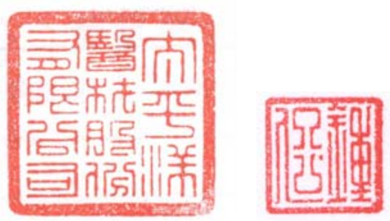
DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

PACIFIC HOSPITAL SUPPLY CO., LTD.

By



JEN CHUNG
Chairman

February 26, 2014

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Pacific Hospital Supply Co., Ltd.

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

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

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

February 26, 2014

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

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

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

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	December 31, 2013		December 31, 2012		January 1, 2012	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 834,607	41	$ 816,281	41	$ 626,494	35
Notes receivable (Notes 4 and 7)	12,082	1	29,344	1	27,850	2
Accounts receivable (Notes 4, 5 and 7)	136,498	7	154,003	8	107,866	6
Other receivables (Notes 4, 7 and 16)	7,096	-	4,898	-	775	-
Inventories (Notes 4 and 8)	170,872	9	163,216	8	193,009	11
Prepayments and other current assets (Notes 11 and 18)	46,474	2	32,034	2	22,743	1
Total current assets	1,207,629	60	1,199,776	60	978,737	55
NON-CURRENT ASSETS						
Property, plant and equipment (Notes 4, 9, 18 and 23)	783,815	39	744,749	38	757,402	43
Other intangible assets (Notes 4 and 10)	19,043	1	22,369	1	25,109	1
Deferred tax assets (Notes 4 and 16)	9,936	-	13,709	1	13,808	1
Refundable deposits (Notes 11 and 22)	6,179	-	4,730	-	4,070	-
Total non-current assets	818,973	40	785,557	40	800,389	45
TOTAL	$ 2,026,602	100	$ 1,985,333	100	$ 1,779,126	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Notes payable	$ 4,743	-	$ 5,382	-	$ 38,144	2
Accounts payable	115,053	6	146,508	7	80,185	4
Other payables (Notes 12 and 18)	124,869	6	112,489	6	98,107	6
Current tax liabilities (Notes 4 and 16)	24,574	1	30,653	2	17,535	1
Advances and other current liabilities (Note 12)	38,364	2	23,719	1	10,663	1
Total current liabilities	307,603	15	318,751	16	244,634	14
NON-CURRENT LIABILITIES						
Accrued pension liabilities (Notes 4 and 13)	36,173	2	46,095	2	46,550	2
Total liabilities	343,776	17	364,846	18	291,184	16
EQUITY						
Share capital						
Ordinary shares	660,152	33	660,152	33	600,138	34
Capital surplus from shares issued in excess of par value	410,354	20	410,354	21	410,354	23
Retained earnings						
Legal reserve	153,910	8	122,563	6	90,235	5
Special reserve	11,621	-	10,998	1	10,085	1
Unappropriated earnings	446,789	22	416,420	21	377,130	21
Total retained earnings	612,320	30	549,981	28	477,450	27
Total equity	1,682,826	83	1,620,487	82	1,487,942	84
TOTAL	$ 2,026,602	100	$ 1,985,333	100	$ 1,779,126	100

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

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

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

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUE (Note 4)				
Sales	$ 1,449,920	100	$ 1,456,761	101
Less: Sales returns and allowances	(6,024)	-	(18,053)	(1)
Net operating revenue	1,443,896	100	1,438,708	100
OPERATING COSTS (Notes 4, 8, 13 and 15)				
Cost of goods sold	902,985	62	874,122	61
GROSS PROFIT	540,911	38	564,586	39
OPERATING EXPENSES (Notes 13, 15 and 22)				
Selling and marketing expense	73,379	5	68,810	5
General and administrative expense	83,414	6	82,210	5
Research and development expense	25,933	2	26,208	2
Total operating expenses	182,726	13	177,228	12
OPERATING INCOME	358,185	25	387,358	27
NON-OPERATING INCOME AND EXPENSES (Note 15)				
Other income	16,398	1	6,650	1
Other gains and losses	2,152	-	(24,771)	(2)
Finance costs	(203)	-	(265)	-
Total non-operating income and expenses	18,347	1	(18,386)	(1)
PROFIT BEFORE INCOME TAX	376,532	26	368,972	26
INCOME TAX EXPENSE (Notes 4 and 16)	54,636	4	53,845	4
NET PROFIT FOR THE YEAR	321,896	22	315,127	22
ACTUARIAL GAIN (LOSS) ARISING FROM DEFINED BENEFIT PLANS	4,906	1	(2,541)	-
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME (Note 16)	402	-	-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX (Note 13)	4,504	1	(2,541)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 326,400	23	$ 312,586	22

(Continued)

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

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

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 17)				
Basic	$ 4.88		$ 4.77	
Diluted	$ 4.86		$ 4.75	

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

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

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

	Ordinary Shares (Note 14)	Capital Surplus Issue of Share in Excess of Par Value (Note 14)	Retained Earnings (Notes 4, 14, 15 and 16)				Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Total	
BALANCE AT JANUARY 1, 2012	$ 600,138	$ 410,354	$ 90,235	$ 10,085	$ 377,130	$ 477,450	$ 1,487,942
Appropriation of 2011 earnings							
Legal reserve	-	-	32,328	-	(32,328)	-	-
Special reserve	-	-	-	913	(913)	-	-
Cash dividends distributed	-	-	-	-	(180,041)	(180,041)	(180,041)
Share dividends distributed	60,014	-	-	-	(60,014)	(60,014)	-
Net profit for the year ended December 31, 2012	-	-	-	-	315,127	315,127	315,127
Other comprehensive loss for the year ended December 31, 2012, net of income tax	-	-	-	-	(2,541)	(2,541)	(2,541)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	312,586	312,586	312,586
BALANCE AT DECEMBER 31, 2012	660,152	410,354	122,563	10,998	416,420	549,981	1,620,487
Appropriation of 2012 earnings							
Legal reserve	-	-	31,347	-	(31,347)	-	-
Special reserve	-	-	-	623	(623)	-	-
Cash dividends distributed	-	-	-	-	(264,061)	(264,061)	(264,061)
Net profit for the year ended December 31, 2013	-	-	-	-	321,896	321,896	321,896
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	4,504	4,504	4,504
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	326,400	326,400	326,400
BALANCE AT DECEMBER 31, 2013	$ 660,152	$ 410,354	$ 153,910	$ 11,621	$ 446,789	$ 612,320	$ 1,682,826

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

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 376,532	$ 368,972
Adjustments for:		
Depreciation expenses	47,230	45,011
Amortization expenses	8,842	8,470
Impairment loss recognized (reversal of impairment loss) on accounts receivable	303	(691)
Finance costs	203	265
Loss on disposal of property, plant and equipment	666	2,457
Reversal of write down of inventories	(4,607)	(164)
Net loss on foreign currency exchange	192	1,008
Loss on scrap of inventories	4,730	2,988
Decrease in accrued pension liabilities	(5,016)	(2,996)
Changes in operating assets and liabilities		
(Increase) decrease in notes receivable	17,262	(1,494)
(Increase) decrease in accounts receivable	17,010	(46,454)
Increase in other receivables	(2,192)	(4,123)
(Increase) decrease in inventories	(7,779)	26,969
Increase in prepayments and other current assets	(1,975)	(1,309)
Decrease in notes payable	(639)	(32,762)
Increase (decrease) in accounts payable	(31,455)	66,323
Increase in other payables	12,881	6,413
Increase in advances and other current liabilities	14,645	13,056
Cash generated from operations	446,833	451,939
Interest paid	(203)	(265)
Income tax paid	(57,350)	(40,628)
Net cash generated from operating activities	389,280	411,046
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(100,271)	(35,063)
Proceeds from disposal of property, plant and equipment	343	235
Increase in refundable deposits	(1,449)	(660)
Acquisition of intangible assets	(5,516)	(5,730)
Net cash used in investing activities	(106,893)	(41,218)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends distributed	(264,061)	(180,041)

(Continued)

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2013	**2012**
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 18,326	$ 189,787
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	816,281	626,494
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 834,607	$ 816,281

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

Pacific Hospital Supply Co., Ltd. (the "Company") mainly manufactures, processes and sells medical disposable products and equipment and does medical engineering work on centralized medical gas piping systems.

The Company's shares have been traded on the Taiwan GreTai Securities Market (GTSM) since February 2004.

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

The Company and entities controlled by the Company (the "Group") have not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) issued by the IASB.

On January 28, 2014, the Financial Supervisory Commission (FSC) announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the consolidated financial statements were authorized for issue, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the "New IFRSs") included in the 2013 IFRSs version. 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
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ending on or after June 30, 2009

(Continued)

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 (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

(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 of IFRS 9 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 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

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

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

Except for the following, the initial application of the above New IFRSs has not had any material impact on the Group's accounting policies:

IFRS 9 Financial Instruments

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

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

c. The impact of the application of New IFRSs in issue but not yet effective on the Group's consolidated financial statements

As of the date the consolidated financial statements were authorized for issue, the Group is continuingly assessing the possible impact that the application of the above New IFRSs will have on the Group's financial position and operating result, and will disclose the relevant impact when the assessment is 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 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 is its first IFRS consolidated financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 28 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 was prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". The applicable IFRSs have been applied retrospectively by the Group except for some aspects where IFRS 1 prohibits retrospective application or grants optional exemptions to this general principle. For the exemptions that the Group elected, refer to Note 28.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within twelve months after the reporting period; and

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

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within twelve months after the reporting period; and

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

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

Basis of Consolidation

a. Principles for preparing consolidated financial statements

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

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

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

b. Subsidiaries included in the consolidated financial statements

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership December 31, 2013	Percentage of Ownership December 31, 2012	Percentage of Ownership January 1, 2012
Pacific Hospital Supply Co., Ltd.	Pacific Precision Technology Co., Ltd.	Manufacturing rubbers	100	-	-

The Company established a 100% subsidiary, Pacific Precision Technology Co., Ltd., the investment for which was resolved by the board of directors in January 2013, and was registered by the Ministry of Economic Affairs, R.O.C. on February 7, 2013.

Foreign Currencies

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

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

Inventories

Inventories consist of raw materials, 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.

Property, Plant and Equipment

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

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.

Intangible Assets

a. Intangible assets acquired separately

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

b. Derecognition of intangible assets

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

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 in profit or loss.

Financial Instruments

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

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

a. Financial assets

Regular way purchases or sales of financial assets are accounted for on a trade date basis.

1) Measurement category

The categories of financial assets held by the Company are loans and receivables.

Loans and receivables (including accounts receivable, cash and cash equivalents) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the recognition of interest would be immaterial.

Cash equivalents include time deposits that are highly liquid, are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2) Impairment of financial assets

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

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

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

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

3) 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.

b. Financial liabilities

1) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

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

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 and allowances are subtracted from gross sales, and the related costs of goods returned are reversed.

a. Sale of goods

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

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

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

3) The amount of revenue can be measured reliably;

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

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

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

Specifically, sales of goods are recognized when goods are delivered and title has passed.

b. Interest income

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

Leasing

a. The Group as lessor

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

b. The Group as lessee

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

Retirement Benefit Costs

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

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

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

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

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

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

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

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

c. Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of accounts receivable

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

As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amount of accounts receivable was $136,498 thousand, $154,003 thousand and $107,866 thousand, respectively (after deducting allowance of $1,630 thousand, $1,327 thousand and $2,530 thousand, respectively).

b. Recognition and measurement of defined benefit plans

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

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 712	$ 829	$ 1,130
Checking accounts and demand deposits	644,098	666,952	625,364
Cash equivalents			
Time deposits that are highly liquid, are readily convertible into cash and has insignificant risk of changes in value	189,797	148,500	-
	$ 834,607	$ 816,281	$ 626,494

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

	December 31, 2013	December 31, 2012	January 1, 2012
Bank deposits	0.17%-3.00%	0.17%-1.36%	0.17%

7. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivable			
Accounts receivable	$ 138,128	$ 155,330	$ 110,396
Less: Allowance for impairment loss	(1,630)	(1,327)	(2,530)
	$ 136,498	$ 154,003	$ 107,866
Other receivables			
Value-added tax refund receivable	$ 6,939	$ 4,792	$ -
Others	157	106	775
	$ 7,096	$ 4,898	$ 775

As of December 31, 2013, December 31, 2012 and January 1, 2012, notes receivable were assessed as not impaired and therefore no allowance was recognized.

a. Accounts receivable and notes receivable

In determining the recoverability of accounts receivable and notes receivable, the Group considered any change in the credit quality of the accounts receivable and notes receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all accounts receivable and notes receivable over 365 days because historical experience had been that accounts receivable and notes receivable that are past due beyond 365 days were not recoverable. Allowance for impairment loss were recognized against accounts receivable and notes receivable between 181 days and 365 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

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

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

	December 31, 2013	December 31, 2012	January 1, 2012
0-180 days	$ 47,532	$ 83,700	$ 40,929

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

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

	2013	2012
Balance at January 1	$ 1,327	$ 2,530
Add: Impairment loss recognized	303	-
Less: Amounts written off as uncollectible	-	(512)
Less: Impairment loss reversed	-	(691)
Balance at December 31	$ 1,630	$ 1,327

Included in the allowance for impairment loss were individually impaired accounts receivable amounting to $1,882 thousand, $1,414 thousand and $2,677 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively. These amounts relate to customers that had been under liquidation. The impairment loss recognized represents the difference between the carrying amount of these accounts receivable and the present value of the expected proceeds to be received from liquidation. The Group did not hold any collateral over these balances.

The aging of individually impaired accounts receivable was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
181-365 days	$ 279	$ 95	$ 260
Over 365 days	1,603	1,319	2,417
	$ 1,882	$ 1,414	$ 2,677

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

8. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Finished goods	$ 47,432	$ 45,314	$ 51,842
Work in process	21,778	25,900	23,007
Raw materials	101,662	92,002	118,160
	$ 170,872	$ 163,216	$ 193,009

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2012 was $902,985 thousand and $874,122 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2012 included reversal of inventory write-downs of $4,607 thousand and $164 thousand, respectively, which were due to sale and scrap of inventories written down in prior years.

9. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2013	December 31, 2012	January 1, 2012
Carrying amount			
Freehold land	$ 110,767	$ 110,767	$ 110,767
Buildings	446,689	455,264	471,324
Machinery and equipment	164,445	126,028	121,584
Transportation equipment	4,072	5,381	6,456
Leasehold improvement	1,171	998	882
Miscellaneous equipment	56,671	46,311	46,389
	$ 783,815	$ 744,749	$ 757,402

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Leasehold Improvement	Miscellaneous Equipment	Total
Cost							
Balance at January 1, 2012	$ 110,767	$ 528,988	$ 220,650	$ 14,171	$ 5,782	$ 123,606	$ 1,003,964
Additions	-	1,497	13,231	374	258	10,699	26,059
Disposals	-	-	(10,812)	-	-	(4,203)	(15,015)
Reclassification	-	-	7,953	-	-	1,038	8,991
Balance at December 31, 2012	$ 110,767	$ 530,485	$ 231,022	$ 14,545	$ 6,040	$ 131,140	$ 1,023,999
Accumulated depreciation							
Balance at January 1, 2012	$ -	$ 57,664	$ 99,066	$ 7,715	$ 4,900	$ 77,217	$ 246,562
Disposals	-	-	(9,008)	-	-	(3,315)	(12,323)
Depreciation expenses	-	17,557	14,936	1,449	142	10,927	45,011
Balance at December 31, 2012	$ -	$ 75,221	$ 104,994	$ 9,164	$ 5,042	$ 84,829	$ 279,250
Net value at January 1, 2012	$ 110,767	$ 471,324	$ 121,584	$ 6,456	$ 882	$ 46,389	$ 757,402
Net value at December 31, 2012	$ 110,767	$ 455,264	$ 126,028	$ 5,381	$ 998	$ 46,311	$ 744,749
Cost							
Balance at January 1, 2013	$ 110,767	$ 530,485	$ 231,022	$ 14,545	$ 6,040	$ 131,140	$ 1,023,999
Additions	-	9,335	43,493	187	446	20,225	73,686
Disposals	-	-	(1,585)	-	-	(4,236)	(5,821)
Reclassification	-	-	12,107	-	-	1,512	13,619
Balance at December 31, 2013	$ 110,767	$ 539,820	$ 285,037	$ 14,732	$ 6,486	$ 148,641	$ 1,105,483
Accumulated depreciation							
Balance at January 1, 2013	$ -	$ 75,221	$ 104,994	$ 9,164	$ 5,042	$ 84,829	$ 279,250
Disposals	-	-	(1,356)	-	-	(3,456)	(4,812)
Depreciation expenses	-	17,910	16,954	1,496	273	10,597	47,230
Balance at December 31, 2013	$ -	$ 93,131	$ 120,592	$ 10,660	$ 5,315	$ 91,970	$ 321,668
Net value at January 1, 2013	$ 110,767	$ 455,264	$ 126,028	$ 5,381	$ 998	$ 46,311	$ 744,749
Net value at December 31, 2013	$ 110,767	$ 446,689	$ 164,445	$ 4,072	$ 1,171	$ 56,671	$ 783,815

No impairment assessment was performed for the years ended December 31, 2013 and 2012 as there was no indication of impairment.

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

Buildings	
Plant	30-50 years
Electrical power equipment	15-30 years
Others	5-50 years
Machinery and equipment	2-20 years
Transportation equipment	5-10 years
Leasehold improvement	2-6 years
Miscellaneous equipment	2-15 years

Refer to Note 23 for the carrying amount of property, plant and equipment that had been pledged by the Group to secure borrowings/general banking facilities granted to the Group.

10. OTHER INTANGIBLE ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Carrying amount			
Computer software	$ 19,043	$ 22,369	$ 25,109

	Computer Software
Cost	
Balance at January 1, 2012	$ 28,512
Additions	5,730
Balance at December 31, 2012	$ 34,242
Accumulated amortization	
Balance at January 1, 2012	$ (3,403)
Amortization expenses	(8,470)
Balance at December 31, 2012	$ (11,873)
Net value at January 1, 2012	$ 25,109
Net value at December 31, 2012	$ 22,369
Cost	
Balance at January 1, 2013	$ 29,621
Additions	5,516
Balance at December 31, 2013	$ 35,137

(Continued)

	Computer Software
Accumulated amortization	
Balance at January 1, 2013	$ (7,252)
Amortization expenses	(8,842)
Balance at December 31, 2013	$ (16,094)
Net value at January 1, 2013	$ 22,369
Net value at December 31, 2013	$ 19,043

(Concluded)

The computer software is amortized using the straight-line method over the estimated useful lives of 1 to 5 years.

11. OTHER ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Prepayments	$ 42,896	$ 31,786	$ 19,886
Others	3,578	248	2,857
	$ 46,474	$ 32,034	$ 22,743
Non-current			
Refundable deposits	$ 6,179	$ 4,730	$ 4,070

12. OTHER LIABILITIES

	December 31, 2013	December 31, 2012	January 1, 2012
Other payables			
Payables for purchase of equipment	$ 7,468	$ 7,969	$ -
Accrued salary and compensation	64,467	61,341	65,726
Accrued vacation compensation	1,985	1,733	1,719
Accrual amounts for bonuses to employees	19,000	19,000	19,000
Accrual amounts for remuneration to directors and supervisors	2,120	2,120	1,600
Other accrued expenses	29,756	20,271	9,964
Others	73	55	98
	$ 124,869	$ 112,489	$ 98,107

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Other liabilities			
Advance receipts	$ 37,043	$ 22,700	$ 9,633
Others	1,321	1,019	1,030
	$ 38,364	$ 23,719	$ 10,663

(Concluded)

13. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The Group adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. From January and July 2005, the contribution amounts were changed to 6% and 3%, respectively. 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 qualifying actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Discount rates	2.00%	1.50%	1.75%
Expected return on plan assets	1.75%	1.75%	2.00%
Expected rates of salary increase	2.00%	2.00%	2.00%

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

	For the Year Ended December 31	
	2013	2012
Operating costs	$ (99)	$ 1,069
Selling and marketing expenses	$ -	$ 151
General and administrative expenses	$ -	$ 222
Research and development expenses	$ -	$ 57

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

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded defined benefit obligation	$ 81,537	$ 88,767	$ 84,338
Fair value of plan assets	(45,364)	(42,672)	(37,788)
Accrued pension liabilities	$ 36,173	$ 46,095	$ 46,550

Actuarial gains and losses recognized in other comprehensive loss (income) for the years ended December 31, 2013 and 2012 was $(4,504) thousand and $2,541 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive loss (income) as of December 31, 2013 and 2012 was $(1,963) thousand and $2,541 thousand, respectively.

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

	For the Year Ended December 31	
	2013	2012
Opening defined benefit obligation	$ 88,767	$ 84,338
Current service cost	830	803
Interest cost	1,325	1,469
Actuarial losses/(gains)	(5,109)	2,157
Gains on curtailments	(3,535)	-
Benefits paid	(741)	-
Closing defined benefit obligation	$ 81,537	$ 88,767

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

	For the Year Ended December 31	
	2013	2012
Opening fair value of plan assets	$ 42,672	$ 37,788
Expected return on plan assets	760	772
Experience adjustments on plan assets	(204)	(384)
Contributions to plan assets	4,591	4,496
Benefits paid	(741)	-
Settlements paid	(1,714)	-
Closing fair value of plan assets	$ 45,364	$ 42,672

The major categories of plan assets at the end of the reporting period for each category were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Others (Note)	100%	100%	100%

Note: In accordance with the Labor Standards Act, monthly contributions made to the retirement benefit reserve fund are deposited in the designated financial institution and are under centralized management by the Labor Retirement Fund Supervisory Committee set up by the central competent authority. The fund can only be used to pay the pension benefits required by the Labor Standards Act and the statutory maximum amount available for payment is the balance of the accumulated contributions plus the accumulated earnings distributions minus the payment amount. In accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the earnings distribution depends on the fund's annual performance but shall not be less than that accrued from two-year time deposits with the interest rates offered by local banks. Any loss sustained or deficiency shall be compensated by the National Treasury. Employers cannot decide the investment target of the fund by themselves. According to "The Asset Allocation of the Labor Pension Fund" announced by the Labor Retirement Fund Supervisory Committee, as at November 2013 and October 2012, the asset allocation breakdowns of the Labor Pension Fund were as follows:

	November 2013	October 2012
Banks deposits	22.17%	23.39%
Government loans	0.00%	0.07%
Equity securities	8.30%	9.09%
Short-term notes	4.34%	10.45%
Government bonds, financial bonds and corporate bonds	9.83%	11.00%
Overseas investment	34.26%	27.07%
Others	21.10%	18.93%

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 related obligation, with reference to the investment performance of Labor Pension Fund by the Labor Pension Fund Supervisory Committee, taking into consideration the effect of required minimum earnings accrued from two-year time deposits with interest rates offered by local banks.

The Company chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (Note 28):

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 81,537	$ 88,767	$ 84,338
Fair value of plan assets	$ 45,364	$ 42,672	$ 37,788
Deficit	$ 36,173	$ 46,095	$ 46,550
Experience adjustments on plan assets	$ 204	$ 384	$ -

14. EQUITY

a. Share capital

Ordinary shares

	December 31, 2013	December 31, 2012	January 1, 2012
Number of shares authorized (in thousands)	100,000	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	66,015	66,015	60,014
Shares issued	$ 660,152	$ 660,152	$ 600,138

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

b. Capital surplus

The capital surplus arising from shares issued in excess of par (including share premium from issuance of ordinary shares and conversion of bonds) and donations may be used to offset a deficit, be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividends policy

The Company's Articles of Incorporation provide that 10% of annual net income less any deficit should be appropriated as legal reserve and then as special reserve. From the remainder, the board of directors should propose the appropriation of up to 5% as remuneration to directors and supervisors and 1% to 15% as bonus to employees, for resolution at the shareholders' meeting.

The Company has adopted the equalization dividend policy for the payment of dividends, which may be paid either in the form of share dividends (including dividends from earnings and capital surplus) or cash dividends. Dividend payments are made from current year earnings of the Company after the appropriation for remuneration to directors and supervisors and bonus to employees. In determining distribution of dividends, the board of directors shall take into consideration the general business and financial conditions of the Company, and shall be approved in the shareholders' meetings. The distribution method shall take into consideration the Company's operational needs and both divend equality and shareholder rights protection policies; therefore distributions of cash dividends shall not be less than 20% of total dividends.

For the years ended December 31, 2013 and 2012, the bonus to employees was both $19,000 thousand and the remuneration to directors and supervisors was both $2,120 thousand. The bonus to employees and remuneration to directors and supervisors were estimated based on net profit (net of the bonus and remuneration) multiplied by a percentage in accordance with the Company's Articles of Incorporation. Material differences between such estimated amounts and the amounts proposed by the board of directors are adjusted in the year the bonus and remuneration were recognized. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and share dividends) of the shares of the day immediately preceding the shareholders' meeting.

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

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

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

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

The appropriations of earnings and the bonus to employees and remuneration to directors and supervisors for 2012 and 2011 were approved in the shareholders' meetings on June 11, 2013 and May 30, 2012, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2012	For Year 2011	For Year 2012	For Year 2011
Legal reserve	$ 31,347	$ 32,328		
Special reserve	623	913		
Cash dividends	264,061	180,041	$4	$3
Stock dividends	-	60,014	-	1

For 2012 and 2011, the bonus to employees and the remuneration to directors and supervisors were as follows:

	Cash Bonus For Year 2012	Cash Bonus For Year 2011
Bonus to employees	$ 19,000	$ 19,000
Remuneration to directors and supervisors	2,120	1,600

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

	For Year 2012		For Year 2011	
	Bonus to Employees	Remuneration to Directors and Supervisors	Bonus to Employees	Remuneration to Directors and Supervisors
Amounts approved in shareholders' meetings	$ 19,000	$ 2,120	$ 19,000	$ 1,600
Amounts recognized in respective financial statements	19,000	2,120	19,000	1,600
	$ -	$ -	$ -	$ -

The shareholders also resolved the transfer of $60,014 thousand of unappropriated earnings to capital stock, total 6,001 thousand shares, in the shareholders' meeting on May 30, 2012. The base date of transfer was July 10, 2012. The transfer took effect after applying to the FSC on June 14, 2012.

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

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 32,190	$ -
Cash dividends	165,038	2.5

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2013 are subject to the resolution of the shareholders' meeting to be held on June 11, 2014.

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

15. NET PROFIT

Net profit included the following:

a. Other income

	For the Year Ended December 31	
	2013	2012
Operating lease rental income	$ 917	$ 914
Interest income - bank deposits	3,311	2,431
Others	12,170	3,305
	$ 16,398	$ 6,650

b. Other gains and losses

	For the Year Ended December 31	
	2013	2012
Loss on disposal of property, plant and equipment	$ (666)	$ (2,457)
Net foreign currency exchange gains (losses)	2,817	(22,993)
Others	1	679
	$ 2,152	$ (24,771)

c. Finance costs

	For the Year Ended December 31	
	2013	2012
Interest on bank borrowings	$ 203	$ 265

d. Depreciation and amortization expenses

	For the Year Ended December 31	
	2013	2012
Property, plant and equipment	$ 47,230	$ 45,011
Intangible assets	8,842	8,470
	$ 56,072	$ 53,481
An analysis of depreciation by function		
Operating costs	$ 43,985	$ 42,136
Operating expenses	3,245	2,875
	$ 47,230	$ 45,011
An analysis of amortization by function		
Operating costs	$ 4,728	$ 3,797
Operating expenses	4,114	4,673
	$ 8,842	$ 8,470

e. Employee benefits expense(gain)

	For the Year Ended December 31	
	2013	2012
Short-term benefits	$ 306,561	$ 292,509
Post-employment benefits		
Defined contribution plans	10,672	9,614
Defined benefit plans	(99)	1,499
	$ 317,134	$ 303,622
An analysis of employee benefits expense by function		
Operating costs	$ 213,863	$ 203,637
Operating expenses	103,271	99,985
	$ 317,134	$ 303,622

f. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2013	2012
Foreign exchange gains	$ 10,863	$ 5,459
Foreign exchange losses	(8,046)	(28,452)
Net gains (losses)	$ 2,817	$ (22,993)

16. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2013	2012
Current tax		
In respect of the current year	$ 49,633	$ 54,575
In respect of prior periods	1,632	(829)
	51,265	53,746
Deferred tax		
In respect of the current year	3,371	99
Income tax expense recognized in profit or loss	$ 54,636	$ 53,845

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

	For the Year Ended December 31	
	2013	2012
Profit before tax	$ 376,532	$ 368,972
Income tax expense calculated at the statutory rate	$ 64,010	$ 62,385
Nondeductible expenses in determining taxable income	656	139
Temporary differences	(3,224)	1,704
Tax-exempt income	(13,553)	(14,652)
Additional income tax on unappropriated earnings	1,744	4,999
Current tax	49,633	54,575
Deferred tax		
Temporary differences	3,371	99
Adjustments for prior years' tax	1,632	(829)
Incomeme tax expense recognized in profit or loss	$ 54,636	$ 53,845

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC.

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

b. Current tax assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Current tax assets			
Tax refund receivable (included in other receivable)	$ 6	$ -	$ -
Current tax liabilities			
Income tax payable	$ 24,574	$ 30,653	$ 17,535

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Defined benefit obligation	$ 7,404	$ (853)	$ (402)	$ 6,149
Allowance for loss on inventories	3,868	(783)	-	3,085
Allowance for doubtful accounts	114	(89)	-	25
Unrealized exchange losses	1,973	(1,651)	-	322
Unrealized overheads	145	20	-	165
Realized two-year overdue advance sales revenue	205	(15)	-	190
	$ 13,709	$ (3,371)	$ (402)	$ 9,936

For the year ended December 31, 2012

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Temporary differences			
Defined benefit obligation	$ 7,913	$ (509)	$ 7,404
Allowance for loss on inventories	3,896	(28)	3,868
Allowance for doubtful accounts	299	(185)	114
Unrealized exchange losses (gains)	(156)	2,129	1,973
Unrealized overheads	187	(42)	145
Realized two-year overdue advance sales revenue	206	(1)	205
	12,345	1,364	13,709
Investment credits	1,463	(1,463)	-
	$ 13,808	$ (99)	$ 13,709

d. The Company has expansion projects and sales from such projects, based on the Tax Law, are exempt from income tax for the five-year period beginning January 1, 2011. Such sales were summarized as follows:

Approval Date and Reference Number	Expansion Commencement Date	Tax Exemption Period	Tax Exemption Cost
April 20, 2011 (Ref No. 10005108240)	January 1, 2011	January 1, 2011 to December 31, 2015	$ 100,813

e. Integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings generated on and after January 1, 1998	$ 446,789	$ 416,420	$ 377,130
Imputation credits accounts	$ 51,669	$ 54,272	$ 69,560

The creditable ratio for distribution of earnings of 2013 and 2012 was 11.56% (estimated) and 20.25%, respectively.

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

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

f. Income tax assessments

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

17. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2013	2012
Basic earnings per share	$ 4.88	$ 4.77
Diluted earnings per share	$ 4.86	$ 4.75

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

Net profit for the year

	For the Year Ended December 31	
	2013	2012
Earnings used in the computation of basic earnings per share and diluted earnings per share	$ 321,896	$ 315,127

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

	For the Year Ended December 31	
	2013	2012
Weighted average number of ordinary shares in computation of basic earnings per share	66,015	66,015
Effect of potentially dilutive ordinary shares:		
Bonus issue to employee	275	329
Weighted average number of ordinary shares used in computation diluted earnings per share	66,290	66,344

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

18. NON-CASH TRANSACTIONS

For the years ended December 31, 2013 and 2012, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statement of cash flows:

a. The Group reclassified prepayments for equipment (included in prepayments and other current assets) of $13,619 thousand and $8,991 thousand to property, plant and equipment for the years ended December 31, 2013 and 2012, respectively.

b. The amount of cash paid for acquisition of property, plant and equipment included a decrease of $501 thousand and an in increase of $7,969 thousand payable for equipment purchased (included in other payables) for the years ended December 31, 2013 and 2012, respectively.

19. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of office with lease terms between 1 to 6 years.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than 1 year	$ 962	$ 7,723	$ 7,775
Later than 1 year and not later than 5 years	44	684	8,150
	$ 1,006	$ 8,407	$ 15,925

20. CAPITAL MANAGEMENT

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

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

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

21. FINANCIAL INSTRUMENTS

a. Fair value and categories of financial instruments

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets			
Loans and receivables (Note a)	$ 990,283	$1,004,526	$ 762,985
Financial liabilities			
Measured at amortized cost (Note b)	$ 244,665	$ 264,379	$ 216,436

Note a: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable and other receivables.

Note b: The balances included financial liabilities measured at amortized cost, which comprise notes and accounts payable and other payables.

b. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable and accounts payable. The Group's Finance Department 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 and liquidity risk.

1) Market risk

The Group’s activities exposed it primarily to the financial risks of changes in foreign currency exchange rates.

Refer to Note 25 for the carrying amounts of the Group’s foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period.

Sensitivity analysis

The Group was mainly exposed to the fluctuation of U.S. dollars, Japanese yen, euros and Chinese yuan.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates.

For a 1% strengthening of New Taiwan dollars against the relevant currency, post-tax profit for the years ended December 31, 2013 and 2012 would have decreased by $3,613 thousand and $3,319 thousand, respectively. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on post-tax profit.

2) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

22. TRANSACTIONS WITH RELATED PARTIES

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

a. Other transactions with related parties

Zhi-Qun Co., Ltd. (common chairman with the Company) performed certain rental services for the Company. For the years ended December 31, 2013 and 2012, a rental fee of both $7,141 thousand were charged and paid. As of December 31, 2013 and 2012, the refundable deposits were both $1,200 thousand.

Ren Chung (chairman of the Company) performed certain rental services for the Company. For the years ended December 31, 2013 and 2012, a rental fee of both $72 thousand were charged and paid.

b. Compensation of key management personnel

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

	For the Year Ended December 31	
	2013	2012
Short-term benefits	$ 29,336	$ 29,432

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

23. MORTGAGED OR PLEDGED ASSETS

The following assets had been pledged or mortgaged as collaterals for unused short-term and long-term bank loans.

	December 31, 2013	December 31, 2012	January 1, 2012
Land and building, net	$ 344,509	$ 353,576	$ 363,337

24. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On December 25, 2013, the Company's board of directors resolved to acquired property from a related party, Zhi-Qun Co., Ltd. The purchase agreement was entered into on January 6, 2014, and the delivery of property was completed on February 5, 2014. The total payment amount was $188,412 thousand.

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

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

	December 31, 2013		
	Foreign Currencies (Thousands)	Exchange Rate	Carrying Amount (Thousands)
Financial assets			
Monetary items			
USD	$ 10,197	29.805	$ 303,922
JPY	246,051	0.2839	69,854
EUR	304	41.09	12,491
RMB	10,764	4.919	52,948
			$ 439,215
Financial liabilities			
Monetary items			
USD	224	29.805	$ 6,676
EUR	87	41.09	3,575
			$ 10,251

	December 31, 2012		
	Foreign Currencies (Thousands)	Exchange Rate	Carrying Amount (Thousands)
Financial assets			
Monetary items			
USD	$ 12,012	29.04	$ 348,829
JPY	119,015	0.3364	40,037
EUR	334	38.49	12,856
			$ 401,722
Financial liabilities			
Monetary items			
USD	62	29.04	$ 1,800

	January 1, 2012		
	Foreign Currencies (Thousands)	Exchange Rate	Carrying Amount (Thousands)
Financial assets			
Monetary items			
USD	$ 4,203	30.275	$ 127,246
JPY	299,495	0.3906	116,982
EUR	220	39.18	8,619
			$ 252,847
Financial liabilities			
Monetary items			
USD	67	30.275	$ 2,028

26. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and investees:

a. Financing provided to others: None.

b. Endorsements or guarantees provided for others: None.

c. Marketable securities held at the end of the period: Please see Table 1.

d. Aggregate acquisition or disposal of the same marketable securities reaching NT$100 million or 20 percent of paid-in capital or more: None.

e. Acquisition of individual real estate reaching NT$100 million or 20 percent of paid-in capital or more: None.

f. Disposal of individual real estate reaching NT$100 million or 20 percent of paid-in capital or more: None.

g. Total purchases from or sales to related parties reaching NT$100 million or 20 percent of paid-in capital or more: None.

h. Receivables from related parties reaching NT$100 million or 20 percent of paid-in capital or more: None.

i. Trading in derivative instruments: None.

j. Others: The business relationship between the parent and subsidiaries and between each subsidiary, and the circumstances and amounts of significant transactions between them: Please see Table 2.

k. Information on investees: Please see Table 3.

Information on investments in mainland China: None.

27. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

In accordance with the provisions under IFRS 8, "Operating Segments," since the subsidiary was established in February 2013 and was under preparatory phase for normal operations as of December 31, 2013, it was determined that the Company had only one reportable segment.

28. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

a. Basis of the preparation for financial information under IFRSs

The Group's consolidated financial statements for the year ended December 31, 2013 were the first IFRSs 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. Effects of transition to IFRSs

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

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

	ROC GAAP	Effects of Transition to IFRSs	IFRSs	Note
Assets				
Deferred income tax assets - current	$ 5,895	$ (5,895)	$ -	5) a)
Prepayments	-	9,051	9,051	5) b)
Intangible assets	-	25,109	25,109	5) c)
Deferred pension cost	4,769	(4,769)	-	5) d)
Prepayment for equipment	9,051	(9,051)	-	5) b)
Deferred charges	25,109	(25,109)	-	5) c)
Deferred income tax assets - noncurrent	1,274	12,534	13,808	5) a) and 5) d)
Liabilities				
Accrued pension liabilities	23,261	23,289	46,550	5) d)
Equity				
Retained earnings	509,867	(32,417)	477,450	5) d)
Net loss not recognized as pension cost	(10,998)	10,998	-	5) d)

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

	ROC GAAP	Effects of Transition to IFRSs	IFRSs	Note
Assets				
Deferred income tax assets - current	$ 6,306	$ (6,306)	$ -	5) a)
Prepayments	-	17,033	17,033	5) b)
Intangible assets	-	22,369	22,369	5) c)
Prepayment for equipment	17,033	(17,033)	-	5) b)
Deferred pension cost	4,173	(4,173)	-	5) d)
Deferred charges	22,369	(22,369)	-	5) c)
Deferred income tax assets - noncurrent	1,104	12,605	13,709	5) a) and 5) d)
Liabilities				
Accrued pension liabilities	22,291	23,804	46,095	5) d)
Equity				
Retained earnings	583,280	(33,299)	549,981	5) d)
Net loss not recognized as pension cost	(11,621)	11,621	-	5) d)

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

	ROC GAAP	Effects of Transition to IFRSs	IFRSs	Note
Net operating revenue	$ 1,438,708	$ -	$ 1,438,708	
Operating costs	875,547	(1,425)	874,122	5) d)
Gross profit	563,161	1,425	564,586	
Operating expenses	177,802	(574)	177,228	5) d)
Other revenue and expenses	(18,386)	-	(18,386)	
Income tax expense	53,505	340	53,845	5) d)
Net income	$ 313,468	1,659	315,127	
Defined benefit plans actuarial loss		2,541	2,541	5) d)
Comprehensive income		$ (882)	$ 312,586	

4) Exemptions from IFRS 1

The exemptions adopted by the Group on January 1, 2012 were the same as those indicated in the consolidated financial statements as of and for the period ended March 31, 2013. Refer to Note 27 of the consolidated financial statements as of and for the period ended March 31, 2013 for detail information.

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

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

a) Deferred income tax assets/liabilities

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. Under IFRSs, deferred income tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits which will allow the deferred tax asset to be recovered, and valuation allowance account is not used.

In addition, under ROC GAAP, deferred tax assets or liabilities are classified as current or noncurrent in accordance with the classification of their related assets or liabilities. However, if deferred income tax assets or liabilities do not relate to assets or liabilities in the financial statements, they are classified as either current or noncurrent based on the expected length of time before they are realized or settled. Under IFRSs, deferred tax assets or liabilities are classified as noncurrent assets or liabilities.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from deferred income tax assets to noncurrent assets were $6,306 thousand and $5,895 thousand, respectively.

b) Presentation of prepayment for equipment

Under ROC GAAP, prepayments for equipment are classified under property, plant and equipment. Under IFRSs, prepayments for equipment are classified as prepayments and they are classified as either current or noncurrent assets based on the expected length of time before they are realized.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from prepayment for equipment to prepayments were $17,033 thousand and $9,051 thousand, respectively.

c) Classification of deferred charges

Under ROC GAAP, deferred charges are classified under other assets. Under IFRSs, deferred charges are classified as property, plant and equipment, intangible assets, prepaid expenses-current or prepaid expenses-noncurrent according to their nature.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from deferred charges to intangible assets were $22,369 thousand and $25,109 thousand, respectively.

d) Employee benefits - defined benefit pension plans

Under ROC GAAP, unrecognized net transition obligation resulting from first-time adoption of SFAS No. 18, “Accounting for Pensions,” should be amortized and recognized to pension cost by the straight-line method over the average remaining service period of those employees who are still in service and expected to receive pension benefits. IAS No. 19, “Employee Benefits,” did not have transition provision thus, unrecognized net transition obligation and related amounts should all be recognized in retained earnings at the date of transition to IFRSs.

Under ROC GAAP, actuarial gains and losses should be accounted for under the corridor approach which resulted in the deferral of gains and losses. When using the corridor approach, actuarial gains and losses should be amortized to profit or loss over the average remaining service period of those employees who are still in service and expected to receive pension benefits. Under IFRSs, the Company will carry out actuarial valuation of defined benefit plans in accordance with IAS No. 19, “Employee Benefits,” and will recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The actuarial gains and losses recognized in other comprehensive income are recognized immediately in retained earnings in the statement of changes in equity. The subsequent reclassification to profit or loss is not permitted.

At the date of transition to IFRSs, the Company performed actuarial valuation of defined benefit plans under IAS No. 19, “Employee Benefits,” and recognized valuation difference under the requirements of IFRS 1. As of December 31, 2012 and January 1, 2012, accrued pension liabilities was adjusted for an increase of $23,804 thousand and $23,289 thousand, respectively; deferred income tax assets - noncurrent were adjusted for an increase of $6,299 thousand and $6,639 thousand, respectively; deferred pension cost was adjusted for a decrease of 4,173 thousand and $4,769 thousand, respectively; retained earnings were adjusted for a decrease of $33,299 thousand and $32,417 thousand, respectively; net loss not recognized as pension cost was adjusted for a decrease of $11,621 thousand and $10,998 thousand, respectively. For the year ended December 31, 2012, pension cost was adjusted for a decrease of $1,999 thousand, income tax expense was adjusted for an increase of $340 thousand and defined benefit plans actuarial loss was adjusted for an increase of $2,541 thousand.

TABLE 1

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2013
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2013				Note
				Shares Units	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Pacific Hospital Supply Co., Ltd.	Security Pacific Precision Technology Co., Ltd.	Subsidiaries	Investments accounted for by the equity method	6,000,000	$ 56,337	100	$ 56,539	Notes 1 and 2

Note 1: Calculated based on equity in the investee's audited financial statements for the year ended December 31, 2013.

Note 2: The difference between investee company's carrying value and net asset value was due to deferral of unrealized gain from upstream transaction.

Note 3: In preparing the consolidated financial statements, gains and losses between the investor and investee, investor's long-term equity investment account, and investee's equity were eliminated in full.

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

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

No. (Note 1)	Company Name	Camterparty	Nature of Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Total Operating Revenue or Total Assets (Note 3)
0	Pacific Hospital Supply Co., Ltd.	Pacific Precision Technology Co., Ltd.	a	Sales	$ 27	Transaction terms are same as third parties	-
		Pacific Precision Technology Co., Ltd.	a	Cost of goods sold	847	Transaction terms are same as third parties	-
		Pacific Precision Technology Co., Ltd.	a	Rental income	566	Transaction terms are same as third parties	-
		Pacific Precision Technology Co., Ltd.	a	Inventories	202	Transaction terms are same as third parties	-
		Pacific Precision Technology Co., Ltd.	a	Accounts payable	735	Transaction terms are same as third parties	-
1	Pacific Precision Technology Co., Ltd.	Pacific Hospital Supply Co., Ltd.	b	Sales	1,049	Transaction terms are same as third parties	-
		Pacific Hospital Supply Co., Ltd.	b	Cost of goods sold	27	Transaction terms are same as third parties	-
		Pacific Hospital Supply Co., Ltd.	b	Rental expense	566	Transaction terms are same as third parties	-
		Pacific Hospital Supply Co., Ltd.	b	Accounts receivable	735	Transaction terms are same as third parties	-

Note 1: Significant transactions between the parent company and its subsidiaries or among subsidiaries are numbered as follows:

a. “0” for the parent company.
b. Subsidiaries are numbered from “1”.

Note 2: Related party transactions are divided into two categories as follows:

a. The parent company to subsidiaries.
b. Subsidiaries to the parent company.

Note 3: Balance sheet items are shown as a percentage to consolidated total assets as of December 31, 2013, while income statement items are shown as a percentage to consolidated total operating revenue for the year ended December 31, 2013.

Note 4: The above transaction amounts were eliminated upon consolidation.

TABLE 3

PACIFIC HOSPITAL SUPPLY CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2013
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2013			Net Profit (Loss) of the Investee	Recognized Gain (Loss)	Note
				December 31, 2013	December 31, 2012	Shares	Percentage of Ownership (%)	Carrying Value			
Pacific Hospital Supply Co., Ltd.	Pacific Precision Technology Co., Ltd.	Taiwan	Manufacturing rubbers	$ 60,000	$ -	6,000,000	100	$ 56,337	$ (3,461)	$ (3,663)	Notes 1 and 2

Note 1: Investment income (loss) was recognized based on the investee's audited financial statements for the same period.

Note 2: The difference between investee company's net loss and recognized loss was due to deferral of unrealized gain from upstream transaction.

Note 3: In preparing the consolidated financial statements, gains and losses between the investor and investee, investor's long-term equity investment account, and investee's equity were eliminated in full.