

## **VIA Technologies, Inc. and Subsidiaries**

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

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
VIA Technologies, Inc.

We have audited the accompanying consolidated balance sheets of VIA Technologies, Inc. and its subsidiaries (collectively referred to as the "Company") 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 Company 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 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

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

March 27, 2014

### Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail. Also, as stated in Note 4 to the consolidated financial statements, the additional footnote disclosures that are not required under accounting principles and practices generally applied in the Republic of China were not translated into English.*

## VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

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

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	\$ 1,884,537	19	\$ 1,790,437	19	\$ 4,561,719	34
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	44,595	-	1,301,078	14	2,120,130	16
Available-for-sale financial assets - current (Notes 4 and 8)	40,810	-	53,342	1	257,053	2
Debt investments with no active market - current (Notes 4 and 9)	301,399	3	583,950	6	151,076	1
Notes receivable (Notes 4, 5 and 10)	4,604	-	2,592	-	11,859	-
Trade receivables (Notes 4, 5 and 10)	484,507	5	247,100	3	280,086	2
Trade receivables - related parties (Notes 4, 5, 10 and 34)	240,081	2	52,020	1	80,204	1
Other receivables (Notes 4, 10 and 34)	814,573	8	21,684	-	43,109	-
Inventories (Notes 4, 5 and 11)	913,209	9	775,627	8	1,253,512	9
Other financial assets - current (Note 35)	-	-	90,000	1	-	-
Other current assets (Notes 18)	<u>207,538</u>	<u>2</u>	<u>124,037</u>	<u>1</u>	<u>180,815</u>	<u>1</u>
Total current assets	<u>4,935,853</u>	<u>48</u>	<u>5,041,867</u>	<u>54</u>	<u>8,939,563</u>	<u>66</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 35)	588,245	6	-	-	-	-
Financial assets measured at cost - non-current (Notes 4, 5, 12 and 35)	129,694	1	427,486	5	451,169	3
Investments accounted for using the equity method (Notes 4 and 13)	658,629	7	231,003	3	276,215	2
Property, plant and equipment (Notes 4, 14 and 35)	2,922,171	29	2,935,227	31	3,038,273	23
Investment properties, net (Notes 4 and 15)	121,372	1	126,818	1	130,519	1
Intangible assets (Notes 4 and 16)	451,316	4	224,484	2	245,867	2
Deferred tax assets (Notes 4, 5 and 28)	124,886	1	193,450	2	268,454	2
Refundable deposits (Notes 18 and 35)	137,794	1	37,425	-	40,188	-
Prepaid pension cost (Notes 4 and 24)	45,322	1	44,306	1	45,139	-
Long-term prepayments for lease (Notes 17 and 35)	102,623	1	98,520	1	104,817	1
Other non-current assets (Notes 18)	<u>577</u>	<u>-</u>	<u>577</u>	<u>-</u>	<u>577</u>	<u>-</u>
Total non-current assets	<u>5,282,629</u>	<u>52</u>	<u>4,319,296</u>	<u>46</u>	<u>4,601,218</u>	<u>34</u>
TOTAL	<u>\$ 10,218,482</u>	<u>100</u>	<u>\$ 9,361,163</u>	<u>100</u>	<u>\$ 13,540,781</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	\$ -	-	\$ 885	-	\$ 8,142	-
Notes payable (Note 20)	491	-	2,244	-	1,486	-
Trade payables (Note 20)	449,691	5	535,658	6	846,695	6
Trade payables - related parties (Notes 20 and 34)	145	-	19	-	-	-
Others payables - related parties (Note 34)	511,156	5	-	-	-	-
Other payables (Note 22)	1,331,785	13	1,241,372	13	1,198,733	9
Current tax liabilities (Notes 4 and 28)	133,339	1	68,434	1	63,284	1
Provisions - current (Notes 4 and 23)	34,169	-	59,629	1	39,664	-
Current portion of long-term borrowings (Notes 19 and 35)	1,753,068	17	430,444	4	72,064	1
Temporary receipts (Notes 21 and 37)	356,711	4	1,201,924	13	1,052,244	8
Other current liabilities (Notes 22 and 34)	<u>336,845</u>	<u>3</u>	<u>132,446</u>	<u>1</u>	<u>173,563</u>	<u>1</u>
Total current liabilities	<u>4,907,400</u>	<u>48</u>	<u>3,673,055</u>	<u>39</u>	<u>3,455,875</u>	<u>26</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 19)	1,649,967	16	1,000,000	11	1,097,996	8
Accrued pension liabilities (Notes 4 and 24)	21,118	-	8,294	-	392	-
Other non-current liabilities (Notes 13, 22 and 37)	<u>229,805</u>	<u>3</u>	<u>12,952</u>	<u>-</u>	<u>3,096</u>	<u>-</u>
Total non-current liabilities	<u>1,900,890</u>	<u>19</u>	<u>1,021,246</u>	<u>11</u>	<u>1,101,484</u>	<u>8</u>
Total liabilities	<u>6,808,290</u>	<u>67</u>	<u>4,694,301</u>	<u>50</u>	<u>4,557,359</u>	<u>34</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 25)						
Share capital	4,933,034	48	4,933,034	53	9,866,069	73
Capital surplus - change in equity from investments in associates	384	-	-	-	3,232,351	24
Accumulated deficits	(1,811,718)	(18)	(526,331)	(6)	(4,609,734)	(34)
Other equity						
Exchange differences on translating foreign operations	(8,146)	-	(82,112)	(1)	-	-
Unrealized gains or loss on available-for-sale financial assets	<u>21,667</u>	<u>-</u>	<u>34,644</u>	<u>1</u>	<u>178,479</u>	<u>1</u>
Total other equity	<u>13,521</u>	<u>-</u>	<u>(47,468)</u>	<u>-</u>	<u>178,479</u>	<u>1</u>
Total equity attributable to owners of the parent	<u>3,135,221</u>	<u>30</u>	<u>4,359,235</u>	<u>47</u>	<u>8,667,165</u>	<u>64</u>
NON-CONTROLLING INTERESTS (Note 25)	<u>274,971</u>	<u>3</u>	<u>307,627</u>	<u>3</u>	<u>316,257</u>	<u>2</u>
Total equity	<u>3,410,192</u>	<u>33</u>	<u>4,666,862</u>	<u>50</u>	<u>8,983,422</u>	<u>66</u>
TOTAL	<u>\$ 10,218,482</u>	<u>100</u>	<u>\$ 9,361,163</u>	<u>100</u>	<u>\$ 13,540,781</u>	<u>100</u>

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

# VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 26 and 34)	\$ 6,084,793	100	\$ 4,462,856	100
OPERATING COSTS (Notes 11 and 34)	<u>(4,157,526)</u>	<u>(68)</u>	<u>(2,959,282)</u>	<u>(66)</u>
GROSS PROFIT	<u>1,927,267</u>	<u>32</u>	<u>1,503,574</u>	<u>34</u>
OPERATING EXPENSES (Notes 27 and 34)				
Selling and marketing expenses	(1,383,472)	(23)	(1,672,927)	(37)
General and administrative expenses	(491,911)	(8)	(445,947)	(10)
Research and development expenses	<u>(1,983,457)</u>	<u>(33)</u>	<u>(3,026,249)</u>	<u>(68)</u>
Total operating expenses	<u>(3,858,840)</u>	<u>(64)</u>	<u>(5,145,123)</u>	<u>(115)</u>
LOSS FROM OPERATIONS	<u>(1,931,573)</u>	<u>(32)</u>	<u>(3,641,549)</u>	<u>(81)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 27 and 34)				
Other income	142,029	2	309,381	7
Other gains and losses	686,835	11	(527,868)	(12)
Finance costs	(72,630)	(1)	(42,789)	(1)
Share of profit or loss of associates (Notes 4 and 13)	<u>48,855</u>	<u>1</u>	<u>(49,804)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>805,089</u>	<u>13</u>	<u>(311,080)</u>	<u>(7)</u>
LOSS BEFORE INCOME TAX	(1,126,484)	(19)	(3,952,629)	(88)
INCOME TAX EXPENSE	<u>(147,612)</u>	<u>(2)</u>	<u>(86,502)</u>	<u>(2)</u>
NET LOSS FOR THE YEAR	<u>(1,274,096)</u>	<u>(21)</u>	<u>(4,039,131)</u>	<u>(90)</u>
OTHER COMPREHENSIVE INCOME AND LOSS (Note 25)				
Exchange differences on translating foreign operations	73,966	1	(82,112)	(2)
Unrealized loss on available-for-sale financial assets	(12,977)	-	(172,218)	(4)
Actuarial loss arising from defined benefit plans	<u>(16,344)</u>	<u>-</u>	<u>(12,758)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>44,645</u>	<u>1</u>	<u>(267,088)</u>	<u>(6)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (1,229,451)</u>	<u>(20)</u>	<u>\$ (4,306,219)</u>	<u>(96)</u>
NET LOSS ATTRIBUTABLE TO				

(Continued)

# VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
Owners of the parent	\$ (1,268,980)	(21)	\$ (4,069,803)	(91)
Non-controlling interests	<u>(5,116)</u>	<u>-</u>	<u>30,672</u>	<u>-</u>
	<u>\$ (1,274,096)</u>	<u>(21)</u>	<u>\$ (4,039,131)</u>	<u>(91)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO				
Owners of the parent	\$ (1,224,398)	(20)	\$ (4,307,930)	(96)
Non-controlling interests	<u>(5,053)</u>	<u>-</u>	<u>1,711</u>	<u>-</u>
	<u>\$ (1,229,451)</u>	<u>(20)</u>	<u>\$ (4,306,219)</u>	<u>(96)</u>
LOSS PER SHARE				
Basic	<u>\$(2.57)</u>		<u>\$(8.25)</u>	

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

(Concluded)

# VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Parent					Total Equity Attributable to Owners of the Parent	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Accumulated Deficits	Other Equity Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
BALANCE, JANUARY 1, 2012	\$ 9,866,069	\$ 3,232,351	\$ (4,609,734)	\$ -	\$ 178,479	\$ 8,667,165	\$ 316,257	\$ 8,983,422
Capital reduction to eliminate accumulated deficit	(4,933,035)	-	4,933,035	-	-	-	-	-
Net loss for the year ended December 31, 2012	-	-	(4,069,803)	-	-	(4,069,803)	30,672	(4,039,131)
Other comprehensive income and loss for the year ended December 31, 2012	-	-	(12,180)	(82,112)	(143,835)	(238,127)	(28,961)	(267,088)
Total comprehensive income and loss for the year ended December 31, 2012	-	-	(4,081,983)	(82,112)	(143,835)	(4,307,930)	1,711	(4,306,219)
Decrease in non-controlling interests	-	-	-	-	-	-	(10,341)	(10,341)
Viabase Co., Ltd. transferred its capital surplus to share capital and then make up for accumulated deficits	-	(3,232,351)	3,232,351	-	-	-	-	-
BALANCE, DECEMBER 31, 2012	4,933,034	-	(526,331)	(82,112)	34,644	4,359,235	307,627	4,666,862
Net loss for the year ended December 31, 2013	-	-	(1,268,980)	-	-	(1,268,980)	(5,116)	(1,274,096)
Other comprehensive income and loss for the year ended December 31, 2013	-	-	(16,407)	73,966	(12,977)	44,582	63	44,645
Total comprehensive income and loss for the year ended December 31, 2013	-	-	(1,285,387)	73,966	(12,977)	(1,224,398)	(5,053)	(1,229,451)
Decrease in non-controlling interests	-	-	-	-	-	-	(27,603)	(27,603)
Change in capital surplus from investments in associates	-	384	-	-	-	384	-	384
BALANCE, DECEMBER 31, 2013	<u>\$ 4,933,034</u>	<u>\$ 384</u>	<u>\$ (1,811,718)</u>	<u>\$ (8,146)</u>	<u>\$ 21,667</u>	<u>\$ 3,135,221</u>	<u>\$ 274,971</u>	<u>\$ 3,410,192</u>

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

# VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	\$ (1,126,484)	\$ (3,952,629)
Adjustments for:		
Depreciation (including depreciation of investment properties)	177,354	182,779
Amortization	183,507	116,261
Impairment loss	-	9,117
Amortization of prepayments for lease	2,285	2,223
Finance costs	72,630	42,789
Interests income	(13,689)	(24,898)
Dividend income	(11,332)	(170,097)
Loss on disposal of property, plant and equipment	6,421	91
Gain on disposal of intangible assets	(508,841)	-
Gain on sale of investments	(949,166)	(281,036)
Share of (profit) loss of associates	(48,855)	49,804
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	668,238	819,052
Notes receivable	(2,012)	9,267
Trade receivables	(237,407)	32,986
Trade receivables - related parties	(188,061)	28,184
Other receivables	5,262	21,768
Inventories	(137,582)	477,885
Prepaid pension cost	(1,016)	833
Other current assets	(83,535)	55,424
Financial liabilities at fair value through profit or loss	(885)	(7,257)
Notes payable	(1,753)	758
Trade payables	(85,967)	(311,037)
Trade payables - related parties	126	19
Other payables	111,616	46,095
Temporary receipts	(8,134)	149,680
Provisions	(25,460)	19,965
Accrued pension liabilities	(3,520)	(4,856)
Other current liabilities	204,399	(41,117)
Cash used in operations	(2,001,861)	(2,727,947)
Interest received	14,085	24,555
Dividend received	11,332	170,097
Interest paid	(70,963)	(42,705)
Income tax paid	(14,109)	(4,994)
Net cash used in operating activities	(2,061,516)	(2,580,994)

## CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of available-for-sale financial assets	(445)	-
Proceeds on sale of available-for-sale financial assets	-	307,809
Purchase of debt investments with no active market	(525,625)	(664,230)

(Continued)

# VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Proceeds on sale of debt investments with no active market	808,176	231,356
Disposal of investments accounted for using equity method	7,269	-
Payment for investments accounted for using equity method	(588,143)	-
Proceeds from capital reduction of investments accounted for using equity method	205,625	-
Proceeds from capital reduction of financial assets measured at cost	-	1,386
Payments for property, plant and equipment	(89,616)	(144,449)
Proceed from disposal of property, plant and equipment	2,482	6,908
Increase in refundable deposits	(110,179)	(2,297)
Decrease in refundable deposits	10,446	5,060
Temporary receipts from disposal of intangible assets	332,033	-
Payments for intangible assets	(417,563)	(92,624)
Payments for investment properties	-	(350)
Increase in other financial assets	-	(90,000)
Decrease in other financial assets	<u>90,000</u>	<u>-</u>
Net cash used in investing activities	<u>(275,540)</u>	<u>(441,431)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in long-term bills payable	2,995,865	-
Decrease in long-term bills payable	(2,500,000)	-
Proceeds from long-term borrowings	5,100,922	850,000
Repayments of long-term borrowings	(3,628,124)	(589,616)
Increase in other payables - related parties	511,156	-
Dividends paid to non-controlling interests	(27,603)	(10,341)
Increase in guarantee deposits	1,389	1,128
Decrease in guarantee deposits	<u>(1,339)</u>	<u>(711)</u>
Net cash provided by financing activities	<u>2,452,266</u>	<u>250,460</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(21,110)</u>	<u>683</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>94,100</u>	<u>(2,771,282)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,790,437</u>	<u>4,561,719</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,884,537</u>	<u>\$ 1,790,437</u>

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

(Concluded)



# VIA TECHNOLOGIES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2013 AND 2012

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

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#### 1. GENERAL INFORMATION

VIA Technologies, Inc. (the “Company”) was incorporated in September 1992 under the Company Law of the Republic of China to engage in the programming, designing, manufacturing and selling of semiconductors and PC chipsets. In March 1999, the Company’s common stock was officially listed on the Taiwan Stock Exchange.

The functional currency of VIA is New Taiwan dollars. The consolidated financial statements are presented in New Taiwan dollars since VIA is the ultimate parent of the Company.

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 27, 2014.

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

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

VIA and its entire controlled subsidiaries (the “Company”) have not applied the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations (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.

<b>The New IFRSs included in the 2013 IFRSs version not yet endorsed by the FSC</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate

(Continued)

<b>The New IFRSs included in the 2013 IFRSs version not yet endorsed by the FSC</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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)

<b>The New IFRSs not included in the 2013 IFRSs version</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 “Financial Instruments”	Note 3
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	Note 3
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

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

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

- b. Significant impending changes in accounting policy 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 Company's accounting policies:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of reporting period. However, the Company 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.

Effective date

The mandatory effective date of IFRS 9, which was previously set at January 1, 2015, was removed and will be reconsidered once the standard is complete with a new impairment model and finalization of any limited amendments to classification and measurement.

2) IFRS 13 "Fair Value Measurement"

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

- c. The impact of the application of New IFRSs and the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations") in issue but not yet effective on the Company's consolidated financial statements was as follows:

As of the date the consolidated financial statements were authorized for issue, the Company is continually assessing the possible impact that the application of the above New IFRSs will have on the Company's financial position and operating result, and will disclose the relevant impact when the assessment is complete.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The Company’s consolidated financial statements for the years ended December 31, 2013 is its first IFRS consolidated financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 40 for the impact of IFRS conversion on the Company’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 sheet as of the date of transition to IFRSs was prepared in accordance with IFRS 1 “First-time Adoption of International Financial Reporting Standards”. The applicable IFRSs have been applied retrospectively by the Company except for some aspects where other IFRS 1 prohibits retrospective application or grants optional exemptions to this general principle. For the exemptions of the Company, please refer to Note 40.

For readers’ convenience, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the consolidated financial statements shall prevail. However, the accompanying consolidated financial statements do not include the English translation of the additional footnote disclosures that are not required under accounting principles and practices generally applied in the Republic of China but are required by the Securities and Futures Bureau for their oversight purposes.

##### **Classification of Current and non-current assets and liabilities**

Current assets include:

- a. Those assets held primarily for trading purposes;
- b. Those assets to be realized within twelve months;
- c. Cash and cash equivalents from the balance sheet date unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than twelve months after the balance sheet date.

Current liabilities are:

- a. Obligations incurred for trading purposes;
- b. Obligations to be settled within twelve months from the balance sheet date;

- c. An unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Aforementioned 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 VIA and entities controlled by VIA (its subsidiaries).

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

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

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

### Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of VIA and to the non-controlling interests even though the non-controlling interests have a debit balance due to the attribution.

### Changes in the Company's ownership interests in existing subsidiaries

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

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

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

- b. Subsidiaries included in consolidated financial statements

The consolidated entities as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

Investor	Investee	Main Businesses	% of Ownership			Remark
			December 31, 2013	December 31, 2012	January 1, 2012	
VIA Technologies, Inc.	VIABASE.	International investment	100.00	100.00	100.00	-
	VIATECH	International investment	100.00	100.00	100.00	-
	VIA GmbH	Selling of PC chipset	100.00	100.00	100.00	-
	TUNGBASE	International investment	100.00	100.00	100.00	-
	Wei-Hon Co., Ltd.	Manufacturing and selling of communication and electronic parts	100.00	100.00	100.00	-
	Vate Technology Co., Ltd.	Integrated circuits chip testing and packaging services	66.28	66.28	66.28	-
	VIA Embedded, Inc.	Manufacturing and selling of electronic parts	100.00	100.00	100.00	-
	VIA Labs, Inc.	Manufacturing and selling of electronic parts, information software processing services	100.00	100.00	100.00	-
	WonderMedia Technologies, Inc.	Manufacturing and selling of electronic parts, information software processing services	100.00	100.00	100.00	-
	VIA-HK	International investment	100.00	100.00	100.00	-
VIATECH	IP-FIRST LLC	Designing and manufacturing of CPU and licensing of microprocessor-related intellectual property	100.00	100.00	100.00	-
VIABASE	VIA Communication, Inc.	GSM chipset research and development	100.00	100.00	100.00	-
VIABASE	VIA USA, Inc.	International investment	100.00	100.00	100.00	-
VIABASE	VIA Japan K.K.	Manufacturing 、 researching 、 developing and selling of integrated circuits and other semiconductor devices.	100.00	100.00	100.00	-
VIABASE	T.C. Connection Corporation	International investment	100.00	100.00	100.00	-
VIABASE	TECHBASE	International investment	100.00	100.00	100.00	-
VIABASE	VIA CPU Platform Co., Ltd.	International investment	100.00	-	-	1)
VIA USA, INC.	CENTAUR	Designing, manufacturing and selling of CPU	100.00	100.00	100.00	-
VIA USA, INC.	VIA Technologies, Inc.	Selling and designing of PC chipset	100.00	100.00	100.00	-
VIA USA, INC.	VIA Cyrix, Inc.	Designing, manufacturing and selling of CPU	100.00	100.00	100.00	-
VIA-HK	VIA Technologies (Shenzhen) Co., Ltd.	Selling of CPU and PC Chipset	100.00	100.00	100.00	-
VIA-HK	VIA Technologies (China) Co., Ltd.	Selling of CPU and PC Chipset	100.00	100.00	100.00	-
VIA Technologies (China), Inc.	VIA CPU Platform (Beijing) Co., Ltd.	Manufacturing 、 researching 、 developing and selling of integrated circuits chip	100.00	-	-	2)
VIA Cyrix, Inc.	IC-Ensemble, Inc.	Designing of Nixed-Signal fabless chip	100.00	100.00	100.00	-
TECHBASE	S3 Graphics (HK) Limited	International investment	100.00	100.00	100.00	-
TECHBASE	S3 Graphics, INC.	Selling and designing of PC Chipset	100.00	100.00	100.00	-
S3 Graphics (HK) Limited	S3 Graphics - Shanghai	Selling of graphics chipset	100.00	100.00	100.00	-
S3 Graphics - Shanghai	VIA CPU Platform (Shanghai) Co., Ltd.	Manufacturing 、 researching 、 developing and selling of integrated circuits chip	100.00	-	-	3)
VIA CPU Platform Co., Ltd.	VIA CPU Platform (Taiwan) Co., Ltd.	Manufacturing of electronic parts and information software processing services	100.00	-	-	4)
VIA CPU Platform Co., Ltd.	VIA Alliance Technology Inc.	Selling and designing of PC Chipset	100.00	-	-	5)

#### Remark:

- 1) VIA CPU Platform Co., Ltd. was incorporated in February 2013.
- 2) VIA CPU Platform (Beijing) Co., Ltd. was incorporated in May 2013.
- 3) VIA CPU Platform (Shanghai) Co., Ltd. was incorporated in May 2013.
- 4) VIA CPU Platform (Taiwan) Co., Ltd. was incorporated in February 2013.
- 5) VIA Alliance Technology Inc. was incorporated in June 2013.

The above subsidiaries included in the consolidated financial statements are audited and significant transactions between the companies have been eliminated in the consolidated financial statements.

c. Subsidiaries excluded from consolidated financial statements: None

#### 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. Functional currency is the currency of the primary economic environment in which the entity operates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to the owners of the Company and non-controlling interests as appropriate).

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

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

### **Inventories**

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

### **Investments in Associates**

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. In addition, the Company accounted for its interests in associate at a percentage of its ownership in the associate.

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

When the Company's share of losses of an associate equals or exceeds the Company's interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and

long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

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

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

### **Property, Plant and Equipment**

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

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

Freehold land is not depreciated.

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

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

### **Intangible Assets**

#### **Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis 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 which is in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Company expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

#### 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 Other Than Goodwill**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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 individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### **Financial Instruments**

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

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

## Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

### a. Measurement category

Financial assets are classified into the following specified categories: Financial assets at fair value through profit or loss (“FVTPL”), available-for-sale financial assets (“AFS”) and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### 1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

In addition, if a contract contains one or more embedded derivatives, the entire combined contract (asset or liability) can be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the ‘other gains and losses’ line item.

Investments in equity instruments under financial assets at FVTPL that do not have a listed market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. The financial assets are remeasured at fair value if they can be reliably measured at fair value in a subsequent period. The difference between the carrying amount and the fair value is recognized in profit or loss.

## 2) AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets at FVTPL.

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency exchange rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss that previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

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

## 3) Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent, other current financial assets, and other receivable) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

### b. Impairment of financial assets

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

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

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

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

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

#### c. Derecognition of financial assets

The Company 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.

#### Equity instruments

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

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

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

#### Financial liabilities

##### a. Subsequent measurement

Except the financial liabilities at FVTPL and financial guarantee contracts, all the financial liabilities are measured at amortized cost using the effective interest method, less any impairment.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

##### b. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

#### **Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

#### **Revenue Recognition**

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

##### 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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 2) The Company 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 Company; and
- 5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company 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 been passed.

b. Rendering of services

Service income including that from operating service provided under service concession arrangements is recognized when services are provided.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- 1) Installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- 2) Servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold; and
- 3) Revenue from time and material contracts is recognized at the contractual rates as labor hours and direct expenses are incurred.

c. Dividend and interest income

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

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

## **Leasing**

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

a. The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the lessee's benefit from the

use of the leased asset. Contingent rents 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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

### **Borrowing Costs**

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

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

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

### **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. Actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated balance sheet 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.

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

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.'

### **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 stockholders 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 loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

## **5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in Note 4, the 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a. Taxation

As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amounts of deferred tax assets were NT\$124,886 thousand, NT\$193,450 thousand and NT\$268,454 thousand, respectively.

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

b. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Company 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 notes receivable, trade receivables (including related parties) and overdue receivables was \$729,192 thousand, \$301,712 thousand and \$372,149 thousand, respectively. (After deduction the carrying amount of allowance for doubtful accounts \$16,294 thousand, \$19,719 thousand and \$25,037 thousand, respectively.)

c. Fair value of financial instruments

As described in Note 23, the Company's management uses its judgment in selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions were based on quoted market rates adjusted for specific features of the instruments. The estimation of fair value of listed equity instruments traded in emerging market and unlisted equity instruments was based on the analysis in relation to the financial position and the operation results of investees, recent transaction prices, prices of same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, valuation multiples of comparable entities, including assumptions not based on unobservable market prices or rates. As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amount of these equity instruments was \$129,694 thousand, \$427,486 thousand and \$451,169 thousand, respectively.

d. Impairment of Tangible and Intangible Assets Other than Goodwill

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of semiconductor industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

e. Write-down of inventory

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

Inventories are measured at the lower of cost or net realizable value. Judgment and estimation are applied in the determination of net realizable value at the end of reporting period. Inventories are usually written down to net realizable value item by item if those inventories are damaged, have become wholly or partially obsolete, or if their selling prices have declined.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amounts of inventories were NT\$913,209 thousand, NT\$775,627 thousand and NT\$1,253,512 thousand, respectively. (After deduction the allowance for inventory devaluation \$1,068,319 thousand, \$1,077,316 thousand and \$1,100,893 thousand, respectively.)

## 6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	\$ 2,429	\$ 2,436	\$ 2,552
Checking accounts and demand deposits	685,577	668,857	1,060,507
Cash equivalents:			
Time deposits	1,192,531	824,144	3,044,984
Repurchase agreements collateralized by bonds	<u>4,000</u>	<u>295,000</u>	<u>453,676</u>
	<u>\$ 1,884,537</u>	<u>\$ 1,790,437</u>	<u>\$ 4,561,719</u>

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

	December 31, 2013	December 31, 2012	January 1, 2012
Time deposits	0.30%-3.20%	0.20%-1.10%	0.33%-1.18%
Repurchase agreements collateralized by bonds	0.55%	0.66%-0.80%	0.62%

As of December 31, 2013, December 31, 2012 and January 1, 2012, time deposits with original maturity more than three months amounted to \$301,399 thousand, \$583,950 thousand and \$151,076 thousand, classified as debt investments with no active market (please refer to Note 9).

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Financial assets held for trading</u>			
Non-derivatives financial assets - domestic listed stocks	<u>\$ 632,840</u>	<u>\$ 1,301,078</u>	<u>\$ 2,120,130</u>

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Current	\$ 44,595	\$ 1,301,078	\$ 2,120,130
Non-current	<u>588,245</u>	<u>-</u>	<u>-</u>
	<u>\$ 632,840</u>	<u>\$ 1,301,078</u>	<u>\$ 2,120,130</u>
	December 31, 2013	December 31, 2012	January 1, 2012
<u>Financial liabilities held for trading</u>			
Derivatives (not designated as hedging instruments) - forward exchange contracts	<u>\$ -</u>	<u>\$ 885</u>	<u>\$ 8,142</u>
Current	\$ -	\$ 885	\$ 8,142
Non-current	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 885</u>	<u>\$ 8,142</u>
			(Concluded)

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

#### Forward Exchange Contracts

December 31, 2013: None.

December 31, 2012				
	Buy/Sell	Notional Amount (In Thousand)	Maturity Date	Exchange Rate Internals
Foreign exchange contracts (US\$/NT\$)	Sell	US\$ 7,060	2013.01.10-2013.02.21	\$28.95-\$29.16
Foreign exchange contracts (US\$/NT\$)	Buy	US\$ 9,000	2013.01.09-2013.11.27	\$28.67-\$29.07
Foreign exchange contracts (US\$/CNY)	Sell	US\$ 6,016	2013.11.19	\$6.23
January 1, 2012				
	Buy/Sell	Notional Amount (In Thousand)	Maturity Date	Exchange Rate Internals
Foreign exchange contracts (US\$/NT\$)	Sell	US\$ 73,500	2012.02.10-2012.02.21	\$30.16-\$30.19
Foreign exchange contracts (US\$/NT\$)	Buy	US\$ 70,000	2012.02.09-2012.02.22	\$30.11-\$30.23

The Company held derivative financial instruments in 2013 and 2012 for trading purpose and earned profit from foreign exchange fluctuation. The Company has been lending part of its investments in domestic quoted stocks to earn lending income since 2011. As of January 1, 2012, 2,496 thousand shares to Taipei Fubon Commercial Bank Co., Ltd. As of December 31, 2013 and 2012, the entrusted stocks amounted to

zero. The Company recognized \$14,333 thousand for the years ended December 31, 2012, in non-operating income - others.

Net gain from derivative financial instruments for the years ended December 31, 2013 and 2012 amounted to \$11,948 thousand and \$7,614 thousand, respectively, and was recognized in exchange gain, net and gain on disposal of investments. Net loss on valuation of financial instruments held for trading for the years ended December 31, 2013 and 2012 amounted to \$668,238 thousand and \$819,937 thousand, respectively, and was recognized as valuation loss on financial assets and liabilities, net.

Please refer to Note 35 for more information relating to assets pledged as collateral or for security.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Domestic investments</u>			
Listed shares and emerging market shares	\$ 40,810	\$ 53,342	\$ 257,053
Current	\$ 40,810	\$ 53,342	\$ 257,053
Non-current	-	-	-
	<u>\$ 40,810</u>	<u>\$ 53,342</u>	<u>\$ 257,053</u>

Net gain on sale of available-for-sale financial assets for the years ended December 31, 2013 and 2012 amounted to \$0 thousand and \$276,315 thousand, respectively, and was recognized as gain on disposal of investments, please refer to Note 27.

Unrealized loss on valuation of financial instruments as of December 31, 2013 and 2012 amounted to \$12,977 thousand and \$172,218 thousand, respectively, and were recognized as unrealized gains on financial instruments in equity.

## 9. DEBT INVESTMENTS WITHOUT ACTIVE MARKET

	December 31, 2013	December 31, 2012	January 1, 2012
Time deposits (with original maturity over than three months)	\$ 301,399	\$ 583,950	\$ 151,076
Current	\$ 301,399	\$ 583,950	\$ 151,076
Non-current	-	-	-
	<u>\$ 301,399</u>	<u>\$ 583,950</u>	<u>\$ 151,076</u>

For the years ended December 31, 2013 and 2012, the market rate intervals of time deposits with original maturity over than three months were 0.07%-1.36% and 0.20%-1.14%, respectively.

**10. NOTES RECEIVABLE, TRADE RECEIVABLES (INCLUDED RELATED PARTIES) AND OTHER RECEIVABLES**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<u>Notes receivable</u>			
Notes receivable	\$ 4,604	\$ 2,592	\$ 11,859
Less: Allowances for doubtful debts	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,604</u>	<u>\$ 2,592</u>	<u>\$ 11,859</u>
<u>Trade receivables</u>			
Trade receivables	\$ 495,007	\$ 261,026	\$ 301,269
Trade receivables - related parties	240,721	52,659	80,994
Less: Allowances for doubtful debts	<u>(11,140)</u>	<u>(14,565)</u>	<u>(21,973)</u>
	<u>\$ 724,588</u>	<u>\$ 299,120</u>	<u>\$ 360,290</u>
<u>Other receivables</u>			
Other receivables	\$ 814,573	\$ 21,684	\$ 43,109
Less: Allowances for doubtful debts	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 814,573</u>	<u>\$ 21,684</u>	<u>\$ 43,109</u>

**Trade Receivables**

The credit period on sales of goods is 60-90 days. In determining the recoverability of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Company recognized an allowance for impairment loss of 100% against all receivables over 365 days because historical experience had been that receivables that are past due beyond Y days were not recoverable. Allowance for impairment loss were recognized against trade receivables between 91 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.

Before accepting any new customer, the Company evaluates the potential customer's credit quality and defines credit limits and scorings by customer. The Company evaluates the financial performance periodically for the adjustment of credit limits once a year.

As of December 31, 2013 and 2012 and January 1, 2012, the amount of top four trade receivables were \$426,641 thousand 、 \$113,589 thousand and \$188,317 thousand, respectively (Please refer to Note 33).

For the trade receivables balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss, As of December 31, 2013 and 2012 and January 1, 2012, the amount were \$14,256 thousand 、 \$12,972 thousand and \$26,547 thousand, respectively (Please refer to Aging analysis) because there was not a significant change in credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances. The Company has no legal rights to have trade receivables be offset against accounts payables of counterparties.

Age of trade receivables that was past due but not impaired was follows (included related parties):

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
1-60 days	\$ 14,159	\$ 7,467	\$ 9,037
61-90 days	38	817	11,564
91-120 days	<u>59</u>	<u>4,688</u>	<u>5,946</u>
	<u>\$ 14,256</u>	<u>\$ 12,972</u>	<u>\$ 26,547</u>

The above analysis was based on amounts after deducting the allowance for doubtful debts and the past due date.

	<b>Year Ended December 31</b>					
	<b>2013</b>			<b>2012</b>		
	<b>Notes Receivable</b>	<b>Trade Receivable (Including Related Parties)</b>	<b>Overdue Receivables</b>	<b>Notes Receivable</b>	<b>Trade Receivable (Including Related Parties)</b>	<b>Overdue Receivables</b>
Balance at January 1	\$ -	\$ 14,565	\$ 5,154	\$ -	\$ 21,973	\$ 3,064
Less: Reversal of allowance	-	(3,557)	-	-	(5,104)	-
Add (deduct): Reclassifications	-	-	-	-	(2,090)	2,090
Effect of exchange rate changes	<u>-</u>	<u>132</u>	<u>-</u>	<u>-</u>	<u>(214)</u>	<u>-</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 11,140</u>	<u>\$ 5,154</u>	<u>\$ -</u>	<u>\$ 14,565</u>	<u>\$ 5,154</u>

Overdue receivables are classified as other assets, please refer to Note 18.

### Other Receivables

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Receivables on disposal of intangible assets	\$ 737,850	\$ -	\$ -
Receivables on sale of securities	60,697	-	-
Other receivables from related parties - other	5,304	4,626	13,087
Receivables on securities lending transaction	-	-	18,039
Interests receivable	396	792	449
Others	<u>10,326</u>	<u>16,266</u>	<u>11,534</u>
	<u>\$ 814,573</u>	<u>\$ 21,684</u>	<u>\$ 43,109</u>

1. Receivables on disposal of intangible assets for the year ended December 31, 2013 resulted from the sale of the AOC Application for Cable System to EverProsper Technologies Company Ltd., please refer to Note 37.
2. Receivables on sale of securities for the year ended December 31, 2013 resulted from the transferring of the Bounteous stocks, please refer to Note 12.
3. Other receivables from related parties are described in Note 34.
4. Receivables on securities lending transaction as of January 1, 2012 resulted from the lending of the securities in domestic quoted stocks.

## 11. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Resale merchandise	\$ 15,432	\$ 33,857	\$ 30,005
Finished goods	416,565	243,000	304,250
Work-in-process	341,636	279,209	559,626
Raw materials	<u>139,576</u>	<u>219,561</u>	<u>359,631</u>
	<u>\$ 913,209</u>	<u>\$ 775,627</u>	<u>\$ 1,253,512</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2012 included \$148,662 thousand and \$175,584 thousand, respectively, due to devaluation and obsolescence of inventories; \$1,809 thousand and \$1,232 thousand, respectively, due to loss on physical inventory.

## 12. FINANCIAL ASSETS MEASURED AT COST

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic investment			
Unlisted stock	\$ 15,975	\$ 15,975	\$ 15,975
Overseas investment			
Unlisted stock	<u>113,719</u>	<u>411,511</u>	<u>435,194</u>
	<u>\$ 129,694</u>	<u>\$ 427,486</u>	<u>\$ 451,169</u>
Current	\$ -	\$ -	\$ -
Non-current	<u>129,694</u>	<u>427,486</u>	<u>451,169</u>
	<u>\$ 129,694</u>	<u>\$ 427,486</u>	<u>\$ 451,169</u>

Management believed that the above unlisted stock investments by the Company, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore, they were measured at cost less impairment at the end of reporting period. For the years ended December 31, 2012, due to the deficit of the investees, the Company recognized impairment loss of \$9,117 thousand. In July 2012, the Company received the refund of \$1,386 thousand from the liquidation of iStor Networks, Inc.

In June 2013, the Company transferred all Bounteous shares, totaling sale price was \$1,268,855 thousand, recognized as a gain in profit \$949,361 thousand. As of December 31, 2013 \$60,697 thousand has not been received considering the amounts above by deducting the buyer imported in advanced (recognized as temporary receipts) and recognized as other receivables.

Please refer to Note 35 for information relating to financial assets measured at cost pledged as security.

## 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31, 2013	December 31, 2012	January 1, 2012
Investment in subsidiaries	<u>\$ 658,629</u>	<u>\$ 231,003</u>	<u>\$ 276,215</u>

## Investments in Subsidiaries

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Unlisted stock investments</u>			
Intumit Inc.	\$ 23,419	\$ 23,401	\$ 24,029
iDOT Computer Inc.	-	-	-
Powernews Multimedia Co., Ltd.	-	7,464	7,290
VIA Telecom Co., Ltd.	528,437	(9,439)	37,788
VIA CPU Platform (Shanghai) Co., Ltd.	106,671	-	-
Catchplay Media Holdings Ltd. (formerly Catch Play Inc.)	-	-	-
Sure Victory Investment Ltd.	<u>102</u>	<u>200,138</u>	<u>207,108</u>
	658,629	221,564	276,215
Add: Transfer of long-term investments to other liabilities	<u>-</u>	<u>9,439</u>	<u>-</u>
	<u>\$ 658,629</u>	<u>\$ 231,003</u>	<u>\$ 276,215</u>

The percentage of ownership and voting rights in associates held by the Company at the end of reporting period were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Intumit Inc.	8.11%	8.11%	8.11%
iDOT Computer Inc.	45.83%	45.83%	45.83%
Powernews Multimedia Co., Ltd.	-	24.36%	24.36%
VIA Telecom Co., Ltd.	48.31%	48.11%	48.45%
Catchplay Media Holdings Ltd. (formerly Catch Play Inc.)	3.21%	3.21%	19.11%
Sure Victory Investment Ltd.	41.00%	41.36%	41.36%
VIA CPU Platform (Shanghai) Co., Ltd.	19.90%	-	-

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

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	<u>\$ 4,268,546</u>	<u>\$ 2,383,453</u>	<u>\$ 2,668,507</u>
Total liabilities	<u>\$ 2,388,045</u>	<u>\$ 1,219,506</u>	<u>\$ 1,515,981</u>

	<u>For the Year Ended December 31</u>	
	2013	2012
Revenue	<u>\$ 2,464,035</u>	<u>\$ 2,383,453</u>
Loss for the year	<u>\$ (1,740,047)</u>	<u>\$ (1,219,506)</u>
Other comprehensive income	<u>\$ 14,366</u>	<u>\$ (57,929)</u>
Share of the profit or loss of associates	<u>\$ 48,855</u>	<u>\$ (49,804)</u>

Due to discontinuous financial support to iDOT Computer Inc. and Catchplay Media Holdings Ltd., the Company discontinued recognition of its share of losses of certain associates. The Company's share of



losses of an associate is limited to its interest in those associates. The amount of unrecognized share of losses of those associates, both for the period and cumulatively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Unrecognized share of losses of associates for the year	\$ (14,358)	\$ 313
Accumulated unrecognized share of losses of associates	\$ (82,757)	\$ (68,399)

In 2013, the Company acquired equity interest in VIA CPU Platform (Shanghai) Co., Ltd. for \$588,143 thousand. In May 2013, the Company transferred Powernews Multimedia Co., Ltd. shares for \$7,269 thousand. This transaction resulted in the recognition of a loss on disposal, were \$195 thousand.

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

#### 14. PROPERTY, PLANT AND EQUIPMENT

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Carrying amounts			
Land	\$ 997,475	\$ 994,077	\$ 999,561
Buildings and improvements	1,585,429	1,567,847	1,656,721
Machinery and equipment	150,555	167,925	134,904
Computer equipment	66,657	70,669	74,302
Instrument equipment	44,830	47,819	61,551
Transportation equipment	4,331	5,315	9,185
Furniture and fixtures	60,277	62,076	66,505
Leasehold improvements	5,753	11,784	25,653
Property in construction	<u>6,864</u>	<u>7,715</u>	<u>9,891</u>
	<u>\$ 2,922,171</u>	<u>\$ 2,935,227</u>	<u>\$ 3,038,273</u>

Movement of property, plant and equipment for the years ended December 31, 2013 and 2012 were as follows:

	<b>Land</b>	<b>Building and Improvements</b>	<b>Machinery and Equipment</b>	<b>Computer Equipment</b>	<b>Instrument Equipment</b>	<b>Transportation Equipment</b>	<b>Furniture and Fixtures</b>	<b>Leasehold Improvements</b>	<b>Property in Construction</b>	<b>Total</b>
<u>Cost</u>										
Balance, January 1, 2012	\$ 1,072,204	\$ 2,094,929	\$ 901,683	\$ 477,141	\$ 637,625	\$ 27,446	\$ 505,357	\$ 135,354	\$ 9,891	\$ 5,861,630
Additions	-	1,992	48,579	21,559	11,500	-	28,925	329	28,257	141,141
Disposal	-	-	(186,082)	(10,216)	(8,327)	(1,825)	(4,998)	-	-	(211,448)
Reclassification	-	-	29,217	-	-	-	346	-	(29,563)	-
Translation adjustment	(8,447)	(46,620)	(17,903)	(15,406)	5,538	(865)	(21,657)	(6,904)	(870)	(113,134)
Balance, December 31, 2012	<u>1,063,757</u>	<u>2,050,301</u>	<u>775,494</u>	<u>473,078</u>	<u>646,336</u>	<u>24,756</u>	<u>507,973</u>	<u>128,779</u>	<u>7,715</u>	<u>5,678,189</u>
<u>Accumulated depreciation</u>										
Balance, January 1, 2012	72,643	438,208	766,779	402,839	576,074	18,261	438,852	109,701	-	2,823,357
Depreciation expenses	-	48,893	44,182	25,704	20,056	3,093	21,889	14,911	-	178,728
Disposal	-	-	(184,682)	(9,194)	(8,101)	(989)	(1,483)	-	-	(204,449)
Translation adjustment	(2,963)	(4,647)	(18,710)	(16,940)	10,488	(924)	(13,361)	(7,617)	-	(54,674)
Balance, December 31, 2012	<u>69,680</u>	<u>482,454</u>	<u>607,569</u>	<u>402,409</u>	<u>598,517</u>	<u>19,441</u>	<u>445,897</u>	<u>116,995</u>	<u>-</u>	<u>2,742,962</u>
Net book value, end of the year	<u>\$ 994,077</u>	<u>\$ 1,567,847</u>	<u>\$ 167,925</u>	<u>\$ 70,669</u>	<u>\$ 47,819</u>	<u>\$ 5,315</u>	<u>\$ 62,076</u>	<u>\$ 11,784</u>	<u>\$ 7,715</u>	<u>\$ 2,935,227</u>

(Continued)

	Land	Building and Improvements	Machinery and Equipment	Computer Equipment	Instrument Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Property in Construction	Total
<b>Cost</b>										
Balance, January 1, 2013	\$ 1,063,757	\$ 2,050,301	\$ 775,494	\$ 473,078	\$ 646,336	\$ 24,756	\$ 507,973	\$ 128,779	\$ 7,715	\$ 5,678,189
Additions	-	3,135	27,966	16,891	11,582	181	18,682	314	154	78,905
Disposal	-	(10,551)	(70,833)	(46,579)	(23,355)	-	(13,024)	(1,534)	-	(165,876)
Reclassification	-	-	981	-	-	-	-	-	(981)	-
Translation adjustment	5,232	70,547	9,481	17,832	24,694	1,123	21,340	7,715	(24)	157,940
Balance, December 31, 2013	<u>1,068,989</u>	<u>2,113,432</u>	<u>743,089</u>	<u>461,222</u>	<u>659,257</u>	<u>26,060</u>	<u>534,971</u>	<u>135,274</u>	<u>6,864</u>	<u>5,749,158</u>
<b>Accumulated depreciation</b>										
Balance, January 1, 2013	69,680	482,454	607,569	402,409	598,517	19,441	445,897	116,995	-	2,742,962
Depreciation expenses	-	46,423	47,510	21,137	15,204	1,210	25,897	14,527	-	171,908
Disposal	-	(10,551)	(70,831)	(42,433)	(20,527)	-	(11,097)	(1,534)	-	(156,973)
Translation adjustment	1,834	9,677	8,286	13,452	21,233	1,078	13,997	(467)	-	69,090
Balance, December 31, 2013	<u>71,514</u>	<u>528,003</u>	<u>592,534</u>	<u>394,565</u>	<u>614,427</u>	<u>21,729</u>	<u>474,694</u>	<u>129,521</u>	<u>-</u>	<u>2,826,987</u>
Net book value, end of the year	<u>\$ 997,475</u>	<u>\$ 1,585,429</u>	<u>\$ 150,555</u>	<u>\$ 66,657</u>	<u>\$ 44,830</u>	<u>\$ 4,331</u>	<u>\$ 62,277</u>	<u>\$ 5,753</u>	<u>\$ 6,864</u>	<u>\$ 2,922,171</u>

(Concluded)

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

Building and improvements	5-55 years
Machinery and equipment	3-5 years
Computer equipment	3-5 years
Instrument equipment	3-5 years
Transportation equipment	3-5 years
Furniture and fixtures	3-5 years
Leasehold improvements	2-3 years

The major component parts of the buildings held by the Company included plants and electro-powering machinery, etc., which were depreciated over their estimated useful lives of 50 to 55 years and 5 years, respectively.

The Company recognized accumulated impairment losses on land because of Cyrix purchased in 1999 but ended 31 December 2013 have not used for operations. In addition, the Company considered the possible impairment occurring parts of the testing machines at launch of new models and deliberated the appraisal to recognize accumulated impairment losses, were as follows:

<b>Year Ended December 31, 2013</b>					
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Balance</b>	<b>Accumulated impairment losses</b>	<b>Net book value</b>
Machinery and Equipment	<u>\$ 36,892</u>	<u>\$ 26,606</u>	<u>\$ 10,286</u>	<u>\$ 10,286</u>	<u>\$ -</u>
<b>Year Ended December 31, 2012</b>					
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Balance</b>	<b>Accumulated impairment losses</b>	<b>Net book value</b>
Machinery and Equipment	<u>\$ 36,892</u>	<u>\$ 26,606</u>	<u>\$ 10,286</u>	<u>\$ 10,286</u>	<u>\$ -</u>
<b>Year Ended December 31, 2011</b>					
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Balance</b>	<b>Accumulated impairment losses</b>	<b>Net book value</b>
Machinery and Equipment	<u>\$ 36,892</u>	<u>\$ 26,606</u>	<u>\$ 10,286</u>	<u>\$ 10,286</u>	<u>\$ -</u>

There were no interests capitalized for the years ended December 31, 2013 and 2012.

Please refer to Note 35 for the carrying amount of property, plant and equipment pledged as collateral.

## 15. INVESTMENT PROPERTIES

	December 31, 2013	December 31, 2012	January 1, 2012
Investment properties	<u>\$ 121,372</u>	<u>\$ 126,818</u>	<u>\$ 130,519</u>

The Company leased investment properties described above to related parties, please refer to Note 34.

	<u>For the Year Ended December 31</u>	
	2013	2012
<u>Cost</u>		
Balance, beginning of the year	\$ 153,047	\$ 162,984
Additions	-	350
Disposal	-	(10,287)
Balance, end of the year	<u>153,047</u>	<u>153,047</u>
<u>Accumulated depreciation and impairment</u>		
Balance, beginning of the year	\$ (26,229)	\$ (32,465)
Disposal	-	10,287
Depreciation expense	(5,446)	(4,051)
Balance, end of the year	<u>(31,675)</u>	<u>(26,229)</u>
Net book value, end of the year	<u>\$ 121,372</u>	<u>\$ 126,818</u>

The investment properties held by the Company were depreciated over their estimated useful lives of 5 to 50 years, using the straight-line method.

The fair value of investment of properties at December 31, 2013, December 31, 2012 and January 1, 2012 amounted to \$251,416 thousand, \$228,560 thousand and \$205,704 thousand. The fair value without independent appraiser evaluated, only be assessed using the evaluation model commonly used by market participants by management, and reference translation prices for similar properties hereby.

## 16. INTANGIBLE ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Carrying amounts			
Patents	\$ 30,188	\$ 4,992	\$ 12,639
Computer software	<u>421,128</u>	<u>219,492</u>	<u>233,228</u>
	<u>\$ 451,316</u>	<u>\$ 224,484</u>	<u>\$ 245,867</u>

Movements of intangible assets for the years ended December 31, 2013 and 2012 were as follows:

	<b>2013</b>		
	<b>Patents</b>	<b>Computer Software</b>	<b>Total</b>
<u>Cost</u>			
Balance, beginning of the year	\$ 35,953	\$ 518,412	\$ 554,365
Acquisition	38,241	371,091	409,332
Translation adjustment	-	2,716	2,716
Balance, end of the year	<u>74,194</u>	<u>892,219</u>	<u>966,413</u>
<u>Accumulated amortization and impairment</u>			
Balance, beginning of the year	\$ (30,961)	\$ (298,920)	\$ (329,881)
Amortization	(13,045)	(170,462)	(183,507)
Translation adjustment	-	(1,709)	(1,709)
Balance, end of the year	<u>(44,006)</u>	<u>(471,091)</u>	<u>(515,097)</u>
Net book value, end of the year	<u>\$ 30,188</u>	<u>\$ 421,128</u>	<u>\$ 451,316</u>
	<b>2012</b>		
	<b>Patents</b>	<b>Computer Software</b>	<b>Total</b>
<u>Cost</u>			
Balance, beginning of the year	\$ 35,953	\$ 426,710	\$ 462,663
Acquisition	-	92,392	92,392
Translation adjustment	-	(690)	(690)
Balance, end of the year	<u>35,953</u>	<u>518,412</u>	<u>554,365</u>
<u>Accumulated amortization and impairment</u>			
Balance, beginning of the year	(23,314)	(193,482)	(216,796)
Amortization	(7,647)	(108,614)	(116,261)
Translation adjustment	-	3,176	3,176
Balance, end of the year	<u>(30,961)</u>	<u>(298,920)</u>	<u>(329,881)</u>
Net book value, end of the year	<u>\$ 4,992</u>	<u>\$ 219,492</u>	<u>\$ 224,484</u>

The above items of intangible assets were depreciated on a straight-line basis over the estimated useful life of the asset:

Patents	3-5 years
Computer software	3-5 years

## 17. PREPAID LEASE

	December 31, 2013	December 31, 2012	January 1, 2012
Current	\$ -	\$ -	\$ -
Non-current	<u>102,623</u>	<u>98,520</u>	<u>104,817</u>
	<u>\$ 102,623</u>	<u>\$ 98,520</u>	<u>\$ 104,817</u>

As of December 31, 2013, December 31, 2012 and January 1, 2012, prepaid lease payments were land use rights, which are located in Mainland China. Please refer to Note 35 for the carrying amount of prepaid lease pledged as collateral.

## 18. OTHER CURRENT ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Prepaid expense	\$ 129,390	\$ 70,896	\$ 89,742
Prepayments	915	670	670
Excess value-added tax paid	51,155	33,641	54,232
Income tax refund receivable	1,432	1,466	2,820
Value-added tax receivable	11,079	13,167	27,968
Temporary payment	13,567	4,197	5,383
Refundable deposits (Note 36)	137,794	37,425	40,188
Overdue receivables	5,154	5,154	3,064
Less allowance for doubtful accounts	(5,154)	(5,154)	(3,064)
Others	<u>577</u>	<u>577</u>	<u>577</u>
	<u>\$ 345,909</u>	<u>\$ 162,039</u>	<u>\$ 221,580</u>
Current	\$ 207,538	\$ 124,037	\$ 180,815
Non-current	<u>138,371</u>	<u>38,002</u>	<u>40,765</u>
	<u>\$ 345,909</u>	<u>\$ 162,039</u>	<u>\$ 221,580</u>

## 19. BORROWINGS

### a. Long-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Secured borrowings			
Bank loans	\$ 1,903,242	\$ 430,444	\$ 520,060
Unsecured borrowings			
Bank loans	1,000,000	1,000,000	650,000
Less: Current portion	<u>(1,253,275)</u>	<u>(430,444)</u>	<u>(72,064)</u>
Long-term borrowings	<u>\$ 1,649,967</u>	<u>\$ 1,000,000</u>	<u>\$ 1,097,996</u>

The long-term borrowings of company include:

		December 31, 2013	December 31, 2012	January 1, 2012
Ta Chong Bank - unsecured loan	Credit line: \$1,000,000 thousand Loan amount: \$500,000 thousand Period: July 18, 2011 - July 18, 2014 Payment: The unliquidated loan will be fully repaid on maturity date, but the loan may be availed of on a revolving basis. The loan was repaid in full in November 2013.	\$ -	\$ 500,000	\$ 500,000
Taiwan Cooperative Bank - unsecured loan	Credit line: \$500,000 thousand Loan amount: \$500,000 thousand Period: November 10, 2011 - November 10, 2016 Payment: From May 2014, the loan will be repaid in six semi-annual installments of \$80,000 thousand for the first five installments, and \$100,000 thousand for the last installment.	500,000	500,000	150,000
Mega International Commercial Bank - unsecured loan	Credit line: \$500,000 thousand Loan amount: \$500,000 thousand Period: January 23, 2013 - January 23, 2016 Payment: From one year after signing date, the loan will be repaid in one annual installment of \$50,000 thousand; and \$400,000 thousand for the last installment.	500,000	-	-
Industrial Bank of Taiwan and China Bills Financial Corporation for joint credit bank - 1.5 billion syndicated loan	Credit line: \$1,000,000 thousand Loan amount: \$1,000,000 thousand Period: June 20, 2013 - June 20, 2016 Payment: Each loan will be repaid on maturity date. The unliquidated loan may be recycled. The maturity date is three years after the date of the first use.	1,000,000	-	-
DBS Bank (China) - secured loan	Loan amount: RMB82,000 thousand Period: November 28, 2013 - November 28, 2018 Payment: First installment of RMB2,200 thousand will be after 3 months for the loan and then RMB2,200 thousand for each installments, and fully repaid on November 30, 2018.	403,242	430,444	520,060
Taishin International Bank - secured loan	Loan amount: \$500,000 thousand and US\$1,000 thousand Period: October 31, 2012 - October 31, 2015 Payment: The unliquidated loan will be fully repaid on maturity date, may be pursuant to the contract to be recycled.	500,000	-	-
Less: Current portion		(1,253,275)	(430,444)	(72,064)
Total long		<u>\$ 1,649,967</u>	<u>\$ 1,000,000</u>	<u>\$ 1,097,996</u>

As of December 31, 2013, December 31, 2012 and January 1, 2012, the weighted average effective interest rate of the bank borrowings secured was 1.37%-6.40% 、 1.30%-6.40% and 1.32%-6.90% , respectively.

In 2011, the Company signed a loan contract with Ta Chong Bank Ltd. The primary contents of the loan contract are as follows:

The total available loan amount of the Company, Viabase Co., Ltd. and Viatech Co., Ltd. can exceed \$500,000 thousand when the Company operates in profit for two consecutive quarters, and the net cash provided by operating activities is positive.

The Company shall maintain the following financial ratios and restrictions during the contract period, and the financial ratios should be calculated based on the audited consolidated annual financial statements and the reviewed consolidated semi-annual financial statements:

- Current Ratio: Current assets divided by current liabilities, not less than 100%
- Liability Ratio: Total liabilities divided by net tangible assets, not higher than 200%.

For the purpose of paying loans and convertible bonds to financial organizations, and raising operating working capital, the Company appointed Chinatrust Commercial Bank and China Development Industrial Bank, to organize a syndicated credit team in 2007. The Company had applied to the team for \$3,000,000 thousand as a loan line. The loan period is from May 15, 2007 to September 10, 2012. Up to January 1,

2012, the credit line had decreased to \$1,200,000 thousand. The syndicated credit contract was early terminated in February 2012.

For the purpose of raising operating working capital, the Company had applied to Industrial Bank of Taiwan and China Bills Finance for \$1,500,000 thousand as a syndicated loan in June 2013. The facility of The bank borrowings and Commercial Paper was \$1,000,000 thousand and \$500,000 thousand, respectively. The loan utilized during the day starting from the first three years, the Company shall maintain the following financial ratios and restrictions during the contract period, and the financial ratios should be reviewed based on the audited consolidated annual financial statements:

- Current Ratio: Current assets divided by current liabilities, not less than 100%
- Liability Ratio: Total liabilities divided by net tangible assets, not higher than 200% in 2013, not higher than 160% in 2014 and 2015, not higher than 120% in 2016.
- Net Tangible Assets: Not less than \$3,100,000 thousand in 2013, not less than \$3,500,000 thousand in 2014 and 2015, not less than \$5,000,000 thousand in 2016.

The above financial ratios are reviewed at least once a year. If violates the foregoing financial ratios, the administration bank will host a conference to decide whether that is a breach of the contract. If the banks decided that there was a breach of the contract, all of the debts become due and the Company should liquidate all the debts upon receiving the notification from the administration bank. Due to the liability ratio and net tangible assets did not meet the foregoing restrictions in 2013, the Company reclassified the syndicated loan to current liabilities based on the consideration of conservatism. On February 27, 2014, the Company got the waiver letter from the syndicated credit team to lifted the restriction about foregoing financial ratios.

Please refer to Note 35 for the carrying amount of assets pledged by the Company to secure borrowings banking facilities granted to the Company .

b. Long-term bills payable

	December 31, 2013	December 31, 2012	January 1, 2012
Commercial paper	\$ 500,000	\$ -	\$ -
Less: Unamortized discount on bills payable	( 207 )	-	-
Less: Be repaid no later than one year	( 499,793 )	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Outstanding long-term bills payable as follows:

December 31, 2013

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Value	Interest Rate
<u>Commercial paper</u>				
China Bills Finance	<u>\$ 500,000</u>	<u>\$ 207</u>	<u>\$ 499,793</u>	1.514%

- 1) The payables of the commercial paper was recurring issued within three years, handing fees and interests was repaid only in the loan period. For more details of the contracts, please refer to foregoing syndicated loan contract.
- 2) Please refer to Note 35 for the carrying amount of long-term bills payable pledged by the Company to secure borrowings banking facilities granted to the Company.

## 20. NOTES AND TRADE PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Notes payable	\$ 491	\$ 2,244	\$ 1,486
Trade payables	449,691	535,658	846,695
Trade payables - related parties	<u>145</u>	<u>19</u>	<u>-</u>
	<u>\$ 450,327</u>	<u>\$ 537,921</u>	<u>\$ 848,181</u>

The average term of payment is 60-90 days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 21. TEMPORARY RECEIPTS

	December 31, 2013	December 31, 2012	January 1, 2012
Temporary receipts	<u>\$ 356,711</u>	<u>\$ 1,201,924</u>	<u>\$ 1,052,244</u>

As of December 31, 2012 and January 1, 2012, the primary amount of temporary receipts was the options buyer's advance remittance for buying Bounteous shares. In June 2013, the Company transferred all Bounteous shares and please refer to Note 12. As of December 31, 2013, the primary temporary receipts was the guarantee received from the buyer for the disposal intangible assets.

## 22. OTHER LIABILITIES

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Accrued expense</u>			
Salaries and bonuses	\$ 727,702	\$ 622,997	\$ 575,169
Marketing subsidies	114,336	143,884	148,837
Royalties and technical service fee	33,029	45,676	71,764
Advertisement	5,616	19,567	28,112
Professional fees	57,918	99,519	95,218
Product development	19,375	18,878	18,673
Research and development	20,163	37,764	20,551
Pension	12,957	11,315	10,284
Rent	20,900	17,953	12,028
Equipment	2,378	13,089	16,397
Purchase intangible assets	15,509	23,740	23,972
Bonus to employees	9,581	9,581	9,581
Compensation of directors and supervisors	72,400	72,400	72,400
Reparation (Note 36)	91,335	-	-
Others	<u>128,586</u>	<u>105,009</u>	<u>95,747</u>
	<u>\$ 1,331,785</u>	<u>\$ 1,241,372</u>	<u>\$ 1,198,733</u>



	December 31, 2013	December 31, 2012	January 1, 2012
<u>Other liabilities</u>			
Advance receipts (Note 34)	\$ 265,396	\$ 64,987	\$ 91,198
Receipts under custody	71,449	67,459	82,365
Guarantee deposit	1,750	1,617	1,200
Deferred credit	228,055	1,896	1,896
Credit balance of long-term investments for using equity method	<u>-</u>	<u>9,439</u>	<u>-</u>
	<u>\$ 566,650</u>	<u>\$ 145,398</u>	<u>\$ 176,659</u>
Current			
Other payables	<u>\$ 1,331,785</u>	<u>\$ 1,241,372</u>	<u>\$ 1,198,733</u>
Other liabilities	<u>\$ 336,845</u>	<u>\$ 132,446</u>	<u>\$ 173,563</u>
Non-current			
Other payables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other liabilities	<u>\$ 229,805</u>	<u>\$ 12,952</u>	<u>\$ 3,096</u>

## 23. PROVISIONS

	December 31, 2013	December 31, 2012	January 1, 2012
Provisions for discounts and allowances	<u>\$ 34,169</u>	<u>\$ 59,629</u>	<u>\$ 39,664</u>
Current	\$ 34,169	\$ 59,629	\$ 39,664
Non-current	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 34,169</u>	<u>\$ 59,629</u>	<u>\$ 39,664</u>

Movement of provisions for the years ended December 31, 2013 and 2012 were as follows:

	<u>For the Year Ended December 31</u>	
	2013	2012
Balance, beginning of the year	\$ 59,629	\$ 39,664
Provisions recognized	72,549	83,507
Amount utilized	<u>(98,009)</u>	<u>(63,542)</u>
Balance, end of the year	<u>\$ 34,169</u>	<u>\$ 59,629</u>

## 24. RETIREMENT BENEFIT PLANS

### Defined Contribution Plans

The pension plan under the Labor Pension Act (the “LPA”) is a defined contribution plan. Based on the LPA, the Company make monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The Company has defined contribution retirement benefit plans for all qualified employees of the Company and subsidiaries in Taiwan. Besides, the employees of the Company’s subsidiary are members of a

state-managed retirement benefit plan operated by local government. The subsidiary is required to contribute amounts calculated at a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions to the fund.

The total expenses recognized in the consolidated statement of comprehensive income were \$110,224 thousand and \$115,358 thousand, representing the contributions payable to these plans by the Company at the rates specified in the plans for the years ended December 31, 2013 and 2012, respectively. As of December 31, 2013, December 31, 2012 and January 1, 2012, the amounts of contributions payable were NT\$12,957 thousand, NT\$11,315 thousand and NT\$10,284 thousand, respectively, the amounts were paid subsequent to the end of the reporting period.

### Defined Benefit Plans

Based on the defined benefit plan under the Labor Standards Law (“LSL”), pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and Vate Technology Co., Ltd. contributed amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in 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	1.750%-1.875%	1.375%-1.625%	1.500%-1.750%
Expected return on plan assets	2.000%	1.875%	2.000%
Expected rates of salary increase	2.750%-3.000%	2.750%-3.000%	2.500%-3.000%

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

	For the Year Ended December 31	
	2013	2012
Current service cost	\$ 5,258	\$ 5,781
Interest cost	4,212	4,191
Expected return on plan assets	<u>(5,639)</u>	<u>(5,793)</u>
	<u>\$ 3,831</u>	<u>\$ 4,179</u>

The amounts of actuarial losses recognized in other comprehensive income were \$16,344 thousand and \$12,758 thousand for the years ended December 31, 2013 and 2012, respectively.

The amounts included in the consolidated balance sheets in respect of the obligation on the Company under the defined benefit plans were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded defined benefit obligation	\$ (283,326)	\$ 260,422	\$ 240,461
Fair value of plan assets	<u>307,530</u>	<u>(296,434)</u>	<u>(285,208)</u>
Net prepaid pension	<u>\$ (24,204)</u>	<u>\$ (36,012)</u>	<u>\$ (44,747)</u>

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Amount of prepaid pension	<u>\$ 45,322</u>	<u>\$ 44,306</u>	<u>\$ 45,139</u>
Amount of Accrued pension liabilities	<u>\$ 21,118</u>	<u>\$ 8,294</u>	<u>\$ 392</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Opening defined benefit obligation	\$ 260,422	\$ 240,461
Current service cost	5,258	5,781
Interest cost	4,212	4,191
Actuarial losses	14,796	9,989
Benefits paid	<u>(1,362)</u>	<u>-</u>
Closing defined benefit obligation	<u>\$ 283,326</u>	<u>\$ 260,422</u>

Movements in the present value of the plan assets in the current year were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Opening fair value of plan assets	\$ 296,434	\$ 285,208
Expected return on plan assets	5,639	5,793
Actuarial losses	(1,548)	(2,769)
Contributions from the employer	8,367	8,202
Benefits paid	<u>(1,362)</u>	<u>-</u>
Closing fair value of plan assets	<u>\$ 307,530</u>	<u>\$ 296,434</u>

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

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Equity instruments	43.64	38.29	41.26
Debt instruments	34.19	38.32	35.98
Others	<u>22.17</u>	<u>23.39</u>	<u>22.76</u>
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

The expected overall rate of return is the weighted average of the expected returns of the various categories of plan assets held. The Actuary's assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, after taking into account the minimum return rate which no lower than the interest rate for two-years' time deposit.

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:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	<u>\$ (283,326)</u>	<u>\$ 260,422</u>	<u>\$ 240,461</u>
Fair value of plan assets	<u>\$ 307,530</u>	<u>\$ (296,434)</u>	<u>\$ (285,208)</u>
Deficit	<u>\$ (24,204)</u>	<u>\$ (36,012)</u>	<u>\$ (44,747)</u>
Experience adjustments on plan liabilities	<u>\$ 12,730</u>	<u>\$ 9,989</u>	<u>\$ -</u>
Experience adjustments on plan assets	<u>\$ 1,548</u>	<u>\$ 2,769</u>	<u>\$ -</u>

The Company expects to make a contribution of \$9,177 thousand and \$8,602 thousand, respectively to the defined benefit plans during the annual period beginning after 2013 and 2012.

## 25. EQUITY

	December 31, 2013	December 31, 2012	January 1, 2012
Common stock	\$ 4,933,034	\$ 4,933,034	\$ 9,866,069
Capital surplus	384	-	3,232,351
Accumulated deficit	(1,811,718)	(526,331)	(4,609,734)
Other equity	13,521	(47,468)	178,479
Non-controlling interests	<u>274,971</u>	<u>307,627</u>	<u>316,257</u>
	<u>\$ 3,410,192</u>	<u>\$ 4,666,862</u>	<u>\$ 8,983,422</u>

### Share Capital

#### Common stock

	December 31, 2013	December 31, 2012	January 1, 2012
Authorized shares (in thousands of shares)	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Authorized capital	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>
Issued and fully paid shares (in thousands of shares)	<u>493,303</u>	<u>493,303</u>	<u>986,607</u>
Issued capital	\$ 4,933,034	\$ 4,933,034	\$ 9,866,069
Additional paid-in capital	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,933,034</u>	<u>\$ 4,933,034</u>	<u>\$ 9,866,069</u>

The Company's outstanding common stock at December 31, 2013 and 2012 were 150,000 thousand shares and 300,000 thousand shares, respectively, with a par value of \$10 each. The shares were issued in private placement in May 2010; transfers of those securities conform to Article 43-8 of the Securities and Exchange Act. After three years from the date of private placement, the public trading of aforementioned securities without an effective registration with the Financial Supervisory Commission is prohibited.

The Company decreased its share capital to compensate for accumulated deficit of \$4,933,035 thousand based on the shareholders' resolution on June 12, 2012. The capital reduction has been approved by the SFB on July 20, 2012 and the date of capital reduction was August 6, 2012. As a result, the Company's outstanding capital stock at December 31, 2012 amounted to \$4,933,034 thousand divided into 493,303 thousand shares, including 150,000 thousand shares issued in private placement, with a par value of \$10 each.

## Capital Surplus

	December 31, 2013	December 31, 2012	January 1, 2012
Change in capital surplus from investment in associates are recognized under the equity method	\$ <u>384</u>	\$ <u>-</u>	\$ <u>3,232,351</u>

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (including additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of the Company's paid-in capital.

According to the amendment of the Company Law, effective on January 4, 2012, the abovementioned capital surplus may be distributed in cash. Whereas, capital surplus from equity method investees may not be used for any other purpose.

The Company increased its capital surplus from long-term investment under equity method by \$3,232,351 thousand in 2011. Viabase Co., Ltd., a subsidiary of the Company, transferred its capital surplus in the amount of \$3,232,351 thousand to increase capital and to make up for accumulated deficit in March 2012 and the Company also transferred capital surplus to retained earnings in the same amount.

When the Company did not subscribe for the new shares issued by the affiliate in 2013, adjustments of \$384 thousand, were made to the investment carrying value and capital surplus.

## Accumulated Deficit and Dividend Policy

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Balance, beginning of year	\$ (526,331)	\$ (4,609,734)
Net loss attributable to owners of the parent	(1,268,980)	(4,069,803)
Capital reduction to eliminate accumulated deficit	-	4,933,035
Actuarial loss on defined benefit pension plan	(16,407)	(12,180)
Subsidiary's transfer of capital surplus to offset deficit taken up by the Company	<u>-</u>	<u>3,232,351</u>
Balance, end of year	<u>\$ (1,811,718)</u>	<u>\$ (526,331)</u>

- a. Under VIA's Articles of Incorporation, VIA should make appropriations from its net income in the following order:
- 1) To pay taxes.
  - 2) To cover accumulated losses, if any.
  - 3) To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of VIA's authorized capital.
  - 4) To pay remuneration to directors and supervisors at 1% maximum of the balance after deducting the amounts under the above items (1) to (3).
  - 5) To pay bonus to employees at 5% minimum of the balance after deducting the amounts under the above items (1) to (3), or such balance plus the unappropriated retained earnings of previous years. Where bonus to employees is allocated by means of new share issuance, the employees to receive

bonus may include the affiliates' employees who meet specific requirements prescribed by the board of directors.

- 6) For any remainder, the board of directors should propose allocation ratios based on the dividend policy set forth in VIA's Articles and propose them at the stockholders' meeting.
- b. The Company engages in the programming, designing, manufacturing and selling of semiconductor and PC chipset and is in the development stage of industry cycle. Under the consideration of the whole environment around the Company and the characteristics of industry development, and the intention of pursuing the long-term interests of stockholders, maintaining the operating efficiency, and meeting its capital expenditure budget and the financial goals, the Company would prefer to distribute unappropriated earnings by cash dividends rather than by stock dividends. The sum of stock dividends will not exceed 50% of total dividends.

Bonus to employees and remuneration to directors are estimated on the basis of past appropriation experience, not below 5% and not above 1%, respectively, of the estimated appropriations from prior year's earnings. Because the Company has accumulated deficit, no bonus to employees and remuneration to directors were recognized for 2013 and 2012.

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

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", on the first-time adoption of IFRSs, a company should appropriate to a special reserve 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 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.

The Company's stockholders resolved in their meeting on June 12, 2012 to reduce capital by 50% or \$4,933,035 thousand to offset the 2011 accumulated deficit. After the capital reduction, the Company's outstanding capital stock was \$4,933,034 thousand. The Company's stockholders resolved in their meeting on June 21, 2013 and the appropriation of the 2013 loss had been proposed by the Board of Directors on March 27, 2014, respectively. Information on earnings appropriation can be accessed online through the Market Observation Post System on the website of the TSE.

### **Special Reserves Appropriated Following First-time Adoption of IFRSs**

The company had accumulated deficit after consideration of all IFRSs adjustments; therefore, no special reserve was appropriated.

## Others Equity Items

### Exchange differences on translating foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Balance at January 1	\$ (82,112)	\$ -
Exchange differences arising on translating the foreign operations	<u>73,966</u>	<u>(82,112)</u>
Balance at December 31	<u>\$ (8,146)</u>	<u>\$ (82,112)</u>

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operation.

### Unrealized gains or losses on available-for-sale financial assets

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Balance at January 1	\$ 34,644	\$ 178,479
Unrealized (loss) gain arising on revaluation of available-for-sale financial assets	(12,977)	14,796
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	<u>-</u>	<u>(158,631)</u>
Balance at December 31	<u>\$ 21,667</u>	<u>\$ 34,644</u>

Unrealized gains or losses on available-for-sale financial assets represents the cumulative gains and losses arising on the revaluation of AFS financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

## Non-controlling Interest

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Balance at January 1	\$ 307,627	\$ 316,257
Attributable to non-controlling interests:		
Net (loss) income	(5,116)	30,672
Actuarial gains or loss on defined benefit plan	63	(578)
Cash dividends	(27,603)	(10,341)
Unrealized losses on revaluation of available-for-sale financial assets	<u>-</u>	<u>(28,383)</u>
Balance at December 31	<u>\$ 274,971</u>	<u>\$ 307,627</u>

## 26. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Revenue from the sale of goods	\$ 3,668,616	\$ 4,443,729
Revenue from the rendering of services	<u>2,416,177</u>	<u>19,127</u>
	<u>\$ 6,084,793</u>	<u>\$ 4,462,856</u>

## 27. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Rental income		
Operating lease rental income - investment property	\$ 43,742	\$ 27,736
Interest income		
Bank deposits	13,689	24,898
Dividend income	11,332	170,097
Others	<u>73,266</u>	<u>86,650</u>
	<u>\$ 142,029</u>	<u>\$ 309,381</u>

### b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Loss on disposal of property, plant and equipment	\$ (6,421)	\$ (91)
Gain on disposal of intangible assets	508,841	-
Gain on disposal of available-for-sale financial assets	-	276,315
Gain on disposal of financial assets at FVTPL	380	1,016
Gain on disposal of financial assets measured at cost	949,361	1,386
Loss on disposal of investments accounted for using equity method	(195)	3,335
Net foreign exchange gains	484	23,835
Valuation loss on financial assets at FVTPL	(668,238)	(819,937)
Recovery of impairment loss on trade receivables	3,557	5,104
Impairment loss on financial assets measured at cost	-	(9,117)
Reparation loss (Note 36)	(91,335)	-
Others	<u>(9,599)</u>	<u>(9,714)</u>
	<u>\$ 686,835</u>	<u>\$ (527,868)</u>

### c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Interest on bank loans	<u>\$ 72,630</u>	<u>\$ 42,789</u>



d. Impairment losses on financial assets

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Reversal of impairment loss on trade receivables	\$ (3,557)	\$ (5,104)
Impairment losses on financial assets measured at cost	\$ -	\$ 9,117

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Property, plant and equipment	\$ 171,908	\$ 178,728
Investment properties	5,446	4,051
Intangible assets	<u>183,507</u>	<u>116,261</u>
	<u>\$ 360,861</u>	<u>\$ 299,040</u>
An analysis of deprecation by function		
Operating costs	\$ 79,688	\$ 51,160
Operating expenses	92,220	127,568
Other losses	<u>5,446</u>	<u>4,051</u>
	<u>\$ 177,354</u>	<u>\$ 182,779</u>
An analysis of amortization by function		
Operating costs	\$ 76,071	\$ 4,626
Operating expenses	<u>107,436</u>	<u>111,635</u>
	<u>\$ 183,507</u>	<u>\$ 116,261</u>

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Post-employment benefits (see Note 24)		
Defined contribution plans	\$ 110,224	\$ 115,358
Defined benefit plans	<u>3,831</u>	<u>4,179</u>
	<u>\$ 114,055</u>	<u>\$ 119,537</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 4,339	\$ 4,138
Selling and marketing expenses	29,876	26,900
General and administrative expenses	8,782	11,867
Research and development expenses	<u>71,058</u>	<u>76,632</u>
	<u>\$ 114,055</u>	<u>\$ 119,537</u>

g. Impairment losses on non-financial assets

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Inventories (included in operating costs)	\$ 148,662	\$ 175,584

## 28. INCOME TAXES RELATING TO CONTINUING OPERATIONS

### a. Income tax recognized in profit or loss

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

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Current tax		
In respect of the current year	\$ 79,048	\$ 12,817
In respect of the prior years	<u>-</u>	<u>(1,319)</u>
	<u>79,048</u>	<u>11,498</u>
Deferred tax		
In respect of the current year	<u>68,564</u>	<u>75,004</u>
Income tax expense recognized in profit or loss	<u>\$ 147,612</u>	<u>\$ 86,502</u>

The income tax for the years ended December 31, 2013 and 2012 can be reconciled to the accounting profit as follows:

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Loss before tax from continuing operations	<u>\$ (1,126,484)</u>	<u>\$ (3,952,629)</u>
Income tax expense calculated at the statutory rate	\$ -	\$ -
Effect of different tax rate of subsidiaries operating in other jurisdictions	5,548	-
Additional income tax under the Alternative Minimum Tax Act	-	12,817
Income tax withheld at source in other jurisdictions (Note)	73,500	-
Adjustments for prior years' tax	<u>-</u>	<u>(1,319)</u>
Current tax	<u>79,048</u>	<u>11,498</u>
Deferred tax		
Loss carryforwards and temporary differences	<u>68,564</u>	<u>75,004</u>
Income tax expense recognized in profit or loss	<u>\$ 147,612</u>	<u>\$ 86,502</u>

Note: Income tax withheld at source in other jurisdictions.

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Oversea income - gain on disposal of intangible assets	\$ 735,000	\$ -
Rate of income tax withheld	<u>10%</u>	<u>-</u>
Income tax expense	<u>\$ 73,500</u>	<u>\$ -</u>

b. Current tax assets and liabilities

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Current tax assets			
Income tax refund receivable	<u>\$ 1,432</u>	<u>\$ 1,466</u>	<u>\$ 2,820</u>
Current tax liabilities			
Income tax payable	<u>\$ 133,339</u>	<u>\$ 68,434</u>	<u>\$ 63,284</u>

c. Deferred tax assets and liabilities

The Company offset certain deferred tax assets and deferred tax liabilities which met the offset criteria.

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

For the year ended December 31, 2013

<b>Deferred Tax Assets (Liabilities)</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
Temporary differences			
Unrealized provision for inventory devaluation	\$ 140,077	\$ (36,554)	\$ 103,523
Unrealized sales allowance	39,613	(23,725)	15,888
Unrealized pension cost	3,592	(2)	3,590
Unrealized impairment loss	7,060	(7,060)	-
Others	<u>3,108</u>	<u>(1,223)</u>	<u>1,885</u>
	<u>\$ 193,450</u>	<u>\$ (68,564)</u>	<u>\$ 124,886</u>

For the year ended December 31, 2012

<b>Deferred Tax Assets (Liabilities)</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Closing Balance</b>
Temporary differences			
Unrealized provision for inventory devaluation	\$ 180,091	\$ (40,014)	\$ 140,077
Unrealized sales allowance	23,904	15,709	39,613
Unrealized pension cost	4,177	(585)	3,592
Unrealized impairment loss	18,707	(11,647)	7,060
Others	9,162	(6,054)	3,108
Loss carryforwards	<u>32,413</u>	<u>(32,413)</u>	<u>-</u>
	<u>\$ 268,454</u>	<u>\$ (75,004)</u>	<u>\$ 193,450</u>

d. Unused loss carry-forward

The amounts of loss carryforward as of December 31, 2013 were as follows:

<b>Expiration Year</b>	<b>Unused Amount</b>
2014	\$ 31,093
2015	1,511,670
2016	2,927,905
2017	1,713,040
2018	1,161,672
2019	2,847,807
2020	937,023
2021	347,976
2022	245,795
2023	<u>3,308,287</u>
	<u>\$ 15,032,268</u>

e. Integrated income tax

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Unappropriated earnings			
Unappropriated earnings generated on and after January 1, 1998	<u>\$ (1,811,718)</u>	<u>\$ (526,331)</u>	<u>\$(4,609,734)</u>
Imputation credits accounts	<u>\$ 1,389,619</u>	<u>\$ 1,362,371</u>	<u>\$ 1,329,040</u>

The creditable ratio for distribution of earnings of 2012 and 2011 was 0% and 0%, respectively.

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

f. Income tax assessments

The Company and subsidiaries in Taiwan for the years through 2011, have been assessed and approved by the tax authorities.

## 29. LOSS PER SHARE

	<b>Unit: NT\$ Per Share</b>	
	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Basic loss per share	<u>\$ (2.57)</u>	<u>\$ (8.25)</u>

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

### Net Loss for the Years

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Loss for the year attributable to owners of the parent	<u>\$ (1,268,980)</u>	<u>\$ (4,069,803)</u>

### Shares

**Unit: In Thousands of Shares**

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Weighted average number of ordinary shares used in computation of basic loss per share	<u>493,303</u>	<u>493,303</u>

## 30. NON-CASH TRANSACTIONS

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

- The Company acquired of property, plant and equipment price has not been paid at the end of the reporting period amounted to \$2,378 thousand and \$13,089 thousand, respectively.
- The Company acquired of intangible assets - computer software cost price has not been paid at the end of the reporting period amounted to \$15,509 thousand and \$23,740 thousand, respectively.

## 31. OPERATING LEASE ARRANGEMENTS

- The Company as lessee

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

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Not later than 1 year	\$ 98,974	\$ 116,651	\$ 133,625
Later than 1 year and not later than 5 years	180,981	223,614	210,288
Later than 5 years	<u>-</u>	<u>-</u>	<u>21,942</u>
	<u>\$ 279,955</u>	<u>\$ 340,265</u>	<u>\$ 365,855</u>

b. The Company as lessor

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

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than 1 year	\$ 41,314	\$ 23,650	\$ 25,605
Later than 1 year and not later than 5 years	10,936	10,814	8,772
Later than 5 years	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 52,250</u>	<u>\$ 34,464</u>	<u>\$ 34,377</u>

### 32. CAPITAL MANAGEMENT

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

The capital structure of the Company consists of the equity attributable to owners of the Company (comprising issued capital, capital surplus, retained earnings and other equity).

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

### 33. FINANCIAL INSTRUMENTS

#### Fair Value of Financial Instruments

a. Financial instruments not carried at fair value

The management considers that the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair value and financial assets measured at cost to its fair value are not measured reliably.

b. Fair value measurements recognized in the consolidated balance sheets.

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

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

December 31, 2013

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Non-derivative financial assets - held for trading	<u>\$ 632,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 632,840</u>
Available-for-sale financial assets				
Domestic listed stocks - equity investments	<u>\$ 40,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,810</u>

December 31, 2012

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Non-derivative financial assets - held for trading	<u>\$ 1,301,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,301,078</u>
Available-for-sale financial assets				
Domestic listed stocks - equity investments	<u>\$ 53,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,342</u>
Financial liabilities at FVTPL				
Derivative financial instruments	<u>\$ -</u>	<u>\$ 885</u>	<u>\$ -</u>	<u>\$ 885</u>

January 1, 2012

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Non-derivative financial assets - held for trading	<u>\$ 2,120,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,120,130</u>
Available-for-sale financial assets				
Domestic listed stocks - equity investments	<u>\$ 257,053</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 257,053</u>
Financial liabilities at FVTPL				
Derivative financial instruments	<u>\$ -</u>	<u>\$ 8,142</u>	<u>\$ -</u>	<u>\$ 8,142</u>

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

c. Valuation techniques and assumptions applied for the purpose of measuring fair value

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed corporate callable bonds, draft, corporate bonds and bonds without maturity date). Where such prices were not available, valuation techniques were applied. The estimates and assumptions used by the Company are consistent with those that market participants would use in setting a price for the financial instrument;

- The fair values of derivative instruments were calculated using quoted prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The estimates and assumptions used by the Company were consistent with those that market participants would use in setting a price for the financial instrument;

Foreign currency forward contracts were measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

### Categories of Financial Instruments

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Financial assets</u>			
FVTPL-Held for trading	\$ 632,840	\$ 1,301,078	\$ 2,120,130
Loans and receivables (Note 1)	3,867,495	2,825,208	5,168,241
Available-for-sale financial assets (Note 2)	170,504	480,828	708,222
<u>Financial liabilities</u>			
FVTPL-Derivative financial instruments	-	885	8,142
Amortized cost (Note 3)	5,698,053	3,211,354	3,218,174

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments without active market, notes and trade receivables (including related parties), other receivables and refundable deposits.

Note 2: The balances included available-for-sale financial assets and financial assets measured at cost.

Note 3: The balances included financial liabilities measured at amortized cost, which comprise long-term borrowings (including maturity in one year), notes and trade payables (including related parties), other payables, long-term bills payable (including maturity in one year) and guarantee deposits received.

### Financial Risk Management Objectives and Policies

The Company's financial instruments mainly include equity investment and trade receivables, trade payables and long-term debt. The Company's Department of Financial and Accounting provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through analyzing the exposures by degree and magnitude of risks. These risks include market risk (including foreign exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments and non-derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity.

#### a. Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (1) below) and interest rates (see (2) below).



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

#### 1) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Approximately 85% of the Company's sales were denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 73% of costs were denominated in the group entity's functional currency. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period were set out as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<u>Assets</u>			
USD	\$ 2,115,437	\$ 1,273,433	\$ 3,458,218
RMB	305,675	234,497	420,923
HKD	19,473	16,541	15,951
EUR	452	577	549
<u>Liabilities</u>			
USD	253,325	390,820	416,925
RMB	569,146	680,377	553,039
HKD	9,062	7,943	2,161

The carrying amount of the Company's derivative instruments with exposure to foreign currency risk at the end of the reporting period were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<u>Liabilities</u>			
USD	\$ -	\$ 628	\$ 8,142
USD/RMB	-	257	-

#### Sensitivity analysis

The Company was mainly exposed to the Currency United States dollars ("USD"), Currency Renminbi ("RMB").

The following table details the Company's sensitivity to a 2% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 2% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts, and adjusts their translation at the end of the reporting period for a 2% change in foreign currency rates. A positive number below indicates an increase in post-tax profit and other equity associated with the relevant currency strengthen 2% against New

Taiwan dollars. For a 2% weakening of the relevant currency against New Taiwan dollars, there would be an equal and opposite impact on post-tax profit and other equity and the balances below would be negative.

	<b>Currency USD impact</b>		<b>Currency RMB impact</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Profit or loss	\$ 37,242	\$ 15,285	(\$ 5,269)	(\$ 8,168)

## 2) Interest rate risk

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

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Fair value interest rate risk			
Financial assets	\$ 1,497,930	\$ 1,793,094	\$ 3,649,736
Cash flow interest rate risk			
Financial liabilities	3,403,035	1,430,444	1,170,060

### Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.1% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.1% basis points higher/lower and all other variables were held constant, the Company's post-tax profit for the years ended December 31, 2013 and 2012 would decrease/increase by \$3,403 thousand and \$1,430 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings.

## 3) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities. The Company's equity price risk was mainly concentrated on equity instruments quoted in Taiwan Stock Exchange Corporation and Gre-Tai Securities Market.

### Sensitivity analysis

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

If equity prices had been 10% higher/lower, post-tax profit for the years ended December 31, 2013 and 2012 would have increased/decreased by \$63,284 thousand and \$130,108 thousand, respectively, as a result of the changes in fair value of held-for-trading investments, and the post-tax other comprehensive income for the years ended December 31, 2013 and 2012 would increase/decrease by \$4,081 thousand and \$5,334 thousand, respectively, as a result of the changes in fair value of other available-for-sale financial assets.

b. Credit risk

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

- 1) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- 2) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

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

The Company's concentration of credit risk of 58%, 36% and 48% in total trade receivables as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, was related to the four largest customers within the property construction business segment.

c. Liquidity risk

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

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

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

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

### December 31, 2013

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>Non-derivative financial liabilities</u>						
Non-interest bearing	-	\$ 492,876	\$ 404,478	\$ 1,395,914	\$ 1,750	\$ 2,295,018
Financial guarantee contracts	-	-	40,550	-	-	40,550
Variable interest rate liabilities	2.33	-	60,819	1,692,249	1,649,967	3,403,035
		<u>\$ 492,876</u>	<u>\$ 505,847</u>	<u>\$ 3,088,163</u>	<u>\$ 1,651,717</u>	<u>\$ 5,738,603</u>

### December 31, 2012

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>Non-derivative financial liabilities</u>						
Non-interest bearing	-	\$ 399,268	\$ 575,775	\$ 804,250	\$ 1,617	\$ 1,780,910
Financial guarantee contracts	-	-	73,434	-	-	73,434
Variable interest rate liabilities	2.86	-	17,310	413,134	1,000,000	1,430,444
		<u>\$ 399,268</u>	<u>\$ 666,519</u>	<u>\$ 1,217,384</u>	<u>\$ 1,001,617</u>	<u>\$ 3,284,788</u>

### January 1, 2012

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>Non-derivative financial liabilities</u>						
Non-interest bearing	-	\$ 589,190	\$ 641,850	\$ 815,874	\$ 1,200	\$ 2,048,114
Variable interest rate liabilities	3.81	-	18,016	54,048	1,097,996	1,170,060
		<u>\$ 589,190</u>	<u>\$ 659,866</u>	<u>\$ 869,922</u>	<u>\$ 1,099,196</u>	<u>\$ 3,218,174</u>

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

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

The following table detailed the Company's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual gross cash inflows and outflows on derivative instruments that settle on a gross basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2013: None

December 31, 2012

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Gross settled</u>					
Foreign exchange forward contracts	\$ 321,416	\$ 58,013	\$ 258,599	\$ -	\$ -
Inflows	<u>(321,324)</u>	<u>(58,076)</u>	<u>(259,513)</u>	<u>-</u>	<u>-</u>
Outflows	<u>\$ 92</u>	<u>\$ (63)</u>	<u>\$ (914)</u>	<u>\$ -</u>	<u>\$ -</u>

January 1, 2012

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Gross settled</u>					
Foreign exchange forward contracts	\$ -	\$ 4,336,568	\$ -	\$ -	\$ -
Inflows	<u>-</u>	<u>(4,344,710)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Outflows	<u>\$ -</u>	<u>\$ (8,142)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## 2) Financing facilities

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Unsecured bank loan facility:			
Amount used	\$ 1,000,000	\$ 1,000,000	\$ 650,000
Amount unused	<u>350,000</u>	<u>250,000</u>	<u>1,800,000</u>
	<u>\$ 1,350,000</u>	<u>\$ 1,250,000</u>	<u>\$ 2,450,000</u>
Secured bank loan facility:			
Amount used	\$ 2,403,242	\$ 430,444	\$ 520,060
Amount unused	<u>-</u>	<u>500,000</u>	<u>-</u>
	<u>\$ 2,403,242</u>	<u>\$ 930,444</u>	<u>\$ 520,060</u>

### 34. RELATED-PARTY TRANSACTIONS

Transactions, account balances and revenue and expense between the Company and its subsidiaries, which were related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties were as follows:

#### a, Operating transactions

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<u>Sales</u>		
Affiliated companies - investments accounted for using the equity method	\$ 24,451	\$ 20,182
Other related parties - other related parties' chairperson is the VIA chairperson or VIA chairperson's spouse	290,970	384,230
Other related parties - other related parties' chairperson is the immediate family member of the VIA chairperson	<u>173</u>	<u>2,519</u>
	<u>\$ 315,594</u>	<u>\$ 406,931</u>

Selling prices to related parties are similar with other regular sales except for some kinds of merchandise that have no comparison and some other related parties whose prices are less than normal due to higher sales volume. Terms of receipt for both related and unrelated parties are similar except for some other related parties which adopted the offset of credits and debits of property.

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<u>Other operating income</u>		
Affiliated companies - investments accounted for using the equity method	\$ 2,400,917	\$ 5,345
Other related parties - other related parties' chairperson is the VIA chairperson or VIA chairperson's spouse	<u>75</u>	<u>-</u>
	<u>\$ 2,400,992</u>	<u>\$ 5,345</u>

The Company entered into a technical support and supervision agreement with related parties and recognized as other operating income according to agreements.

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<u>Purchase</u>		
Affiliated companies - investments accounted for using the equity method	\$ 784	\$ 970
Other related parties - other related parties' chairperson is the VIA chairperson or VIA chairperson's spouse	<u>1,194</u>	<u>1,688</u>
	<u>\$ 1,978</u>	<u>\$ 2,658</u>

Terms of purchasing prices and payment for both related and unrelated parties are similar.

The following balances of trade receivables from related parties were outstanding at the end of the reporting period:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Affiliated companies - investments accounted for using the equity method	\$ 195,216	\$ 2,775	\$ 27,891
Other related parties - other related parties' chairperson is the VIA chairperson or VIA chairperson's spouse	<u>44,865</u>	<u>49,245</u>	<u>52,313</u>
	<u>\$ 240,081</u>	<u>\$ 52,020</u>	<u>\$ 80,204</u>

The following balances of trade payables from related parties were outstanding at the end of the reporting period:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Other related parties - other related parties' chairperson is the VIA chairperson or VIA chairperson's spouse	<u>\$ 145</u>	<u>\$ 19</u>	<u>\$ -</u>

The outstanding of trade payables to related parties are unsecured and will be settled in cash, and the outstanding of trade receivables to related parties are unsecured.

b. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Short-term benefits	\$ 75,697	\$ 79,497
Post-employment benefits	1,098	1,134
Other benefits	<u>72</u>	<u>49</u>
	<u>\$ 76,867</u>	<u>\$ 80,680</u>

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

c. Other transactions with related parties

1) Lease items

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Affiliated companies - investments accounted for using the equity method	\$ 23,809	\$ 15,844
Other related parties - other related parties' chairperson is the VIA chairperson or VIA chairperson's spouse	<u>5,293</u>	<u>6,204</u>
	<u>\$ 29,102</u>	<u>\$ 22,048</u>

The Company rented out part of its land and building and improvements to the related parties. Rental

prices were determined based on the prevailing rates in the surrounding area.

2) Other income

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Affiliated companies - investments accounted for using the equity method	\$ 21,919	\$ 17,692
Other related parties - other related parties' chairperson is the VIA chairperson or VIA chairperson's spouse	<u>3,766</u>	<u>4,246</u>
	<u><u>\$ 25,685</u></u>	<u><u>\$ 21,938</u></u>

The Company have entered into a management support and supervision agreement. The support revenue accounted for based on the agreement was recognized as other income, others were miscellaneous and samples revenue.

3) Research and development expenses

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Affiliated companies - investments accounted for using the equity method	\$ 37,888	\$ 22
Other related parties - other related parties' chairperson is the VIA chairperson or VIA chairperson's spouse	582	495
Other related parties - other related parties' chairperson is the immediate family member of the VIA chairperson	<u>35</u>	<u>15</u>
	<u><u>\$ 38,505</u></u>	<u><u>\$ 532</u></u>

4) Other receivables

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Affiliated companies - investments accounted for using the equity method	\$ 5,227	\$ 3,762	\$ 12,905
Other related parties - other related parties' chairperson is the VIA chairperson or VIA chairperson's spouse	<u>77</u>	<u>864</u>	<u>182</u>
	<u><u>\$ 5,304</u></u>	<u><u>\$ 4,626</u></u>	<u><u>\$ 13,087</u></u>



5) Loans to or from

		For the Year Ended December 31, 2013			
	Account	Maximum Amounts	Ending Balance	Interest Rate Interval %	Interest Income (Expense)
Affiliated companies - investments accounted for using the equity method	Other receivables	<u>\$ 137,793</u>	<u>\$ -</u>	0.82%	<u>\$ 102</u>
Affiliated companies - investments accounted for using the equity method	Other payables	<u>\$ 511,156</u>	<u>\$511,156</u>	0.82%	<u>\$ (742)</u>

The Company mainly provided and got the loans with VIA Telecom Co., Ltd. which was an associate of the Company.

6) Accrued expenses

	December 31, 2013	December 31, 2012	January 1, 2012
Affiliated companies - investments accounted for using the equity method	\$ 4	\$ 91	\$ 218
Other related parties - other related parties' chairperson is the VIA chairperson or VIA chairperson's spouse	<u>787</u>	<u>1,128</u>	<u>950</u>
	<u>\$ 791</u>	<u>\$ 1,219</u>	<u>\$ 1,168</u>

7) Advance receipts

	December 31, 2013	December 31, 2012	January 1, 2012
Affiliated companies - investments accounted for using the equity method	<u>\$ 179,388</u>	<u>\$ -</u>	<u>\$ -</u>

The amount of advance receipts from VIA CPU Platform (Shanghai) Co., Ltd. resulted from technical service received in advance.

8) Guarantee deposits received

	December 31, 2013	December 31, 2012	January 1, 2012
Affiliated companies - investments accounted for using the equity method	\$ 146	\$ 96	\$ 66
Other related parties - other related parties' chairperson is the VIA chairperson or VIA chairperson's spouse	<u>45</u>	<u>45</u>	<u>45</u>
	<u>\$ 191</u>	<u>\$ 141</u>	<u>\$ 111</u>

9) Property transactions

Disposal of intangible assets - the AOC Application for Cable System to EverProsper Technologies Company Ltd., please refer to Note 37.

### 35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, securities lending transaction, the guarantees for temporary receipts and deposits for lawsuit as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Pledge deposits (classified as other financial assets - current)	\$ -	\$ 90,000	\$ -
Financial assets at FVTPL - current	-	-	1,240,512
Financial assets at FVTPL - non-current	588,245	-	-
Property, plant and equipment, net	1,793,461	967,689	1,027,389
Land use right	102,623	98,520	104,817
Refundable deposits	101,277	-	-
Financial assets measured at cost	<u>-</u>	<u>298,939</u>	<u>311,652</u>
	<u>\$ 2,585,606</u>	<u>\$ 1,455,148</u>	<u>\$ 2,684,370</u>

### 36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

#### Significant Commitments

- As of December 31, 2013, the amount of customs duties confirmed by banks for importing goods was \$3,000 thousand
- The operating lease from Vate Technology Co., Ltd was as follows,

Lessor	Leased area	Leased subject	Leased period	Terms of payment	Amount	lease commitments
Science Park Bureau	4,894 m	Golden Mountain	85.10.01~ 105.09.30	Monthly	<u>\$ 3,200</u>	In 2013 \$3,200 In 2014~2015 \$3,200 In 2016 \$2,402

- c. In July 2010, OPTi Inc. filed a lawsuit against VIA Technologies, Inc. (USA), an indirect subsidiary of the Company, with Eastern District Court of Texas, alleging that the products of VIA Technologies, Inc. (USA) and another semiconductor company infringed its two patents. In addition, OPTi Inc. also filed a lawsuit against the Company in March 2012 for the above-mentioned allegation. The Company has engaged one U.S. law firm to file a defense. In September, 2013, the Court filed a judgment with the reparation of \$3,089 thousand. The Company disagreed the verdict and made an appeal. Meanwhile, the subsidiary deposited the amount of \$3,398 thousand as the guarantee to the Court. As of March 27, 2014, the date of the accompanying independent Auditors' report, there had been no court decision been made. Based on the principle of conservatism, the Company recognized provision as Other payables.
- d. In order to expand the market in China, on January 15, 2013, the board of directors resolved to enter a joint venture with Shanghai United Investment Co., Ltd. The share capital of the joint venture is estimated to be US\$250,000 thousand or its RMB equivalent, 19.9% and 80.1% of which will be contributed concurrently by the Company and Shanghai United Investment Co., Ltd., respectively. In addition, the capital contributions may be made in installments but shall be fully contributed prior to year-end of 2014. Both parties shall make the first contribution of US\$100,000 and another contribution of US\$100,000 prior to the end of October 2013 and January 2014, respectively. Furthermore, the Company can increase its investment or increase its percentage in consideration of legal requirements, operating performance and market environment of the joint venture.

### 37. OTHERS

- a. Significant contracts

Contractor	Item	Contract Period	Description	Restrictions
Intel	Patent agreement	From April 8, 2003, remains in force	a. CPU and chipsets patent agreement.  b. The Company shall pay the fees according to the agreement signed between the two parties.	None

- b. On October 31, 2013, the Consolidated company and Yangtze Optical Fiber & Cable ("YOFC") entered into a Technological Asset Transfer Agreement with respect to the sale of AOC Application for Cable System (the "Agreement"). According to the Agreement, the Consolidated company and YOFC will form a joint venture and establish EverProsper Technologies Company Ltd ("EverProsper"). The Consolidated company has transferred the entire related technological assets of AOC Application for Cable System at RMB150,000 thousands to EverProsper in December of the same fiscal year and recognized a disposal gain of intangible assets of RMD150,000thousands. As the Consolidated company has significant influence on EverProsper, the unrealized gain were eliminated by RMB46,155 thousands in accordance with the contemplated shareholding percentage and such an elimination was booked as Other Liabilities - Deferred credit. The aforementioned unrealized gain will be recognized when EverProsper amortizes the technological assets based on its useful life. In addition, as the foreign currency payment from EverProsper would not be ready until February 2014, YOFC assigned its overseas subsidiary, Yangtze Optical Fibre and Cable Company (Hong Kong) Limited("YOFC-HK"), transferred in RMB67,500 thousands as security deposit in order to implement the abovementioned agreement on technological asset transfer, and such transfer-in was booked as Temporary receipts. Furthermore, the Consolidated company has received the whole payment from EverProper on March 6 2014.

### 38. 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

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>
<u>Financial assets</u>		
Monetary items		
USD	\$ 70,964	29.81 (USD:NTD)
RMB	62,129	4.92 (RMB:NTD)
HKD	5,071	3.84 (HKD:NTD)
EUR	11	41.09 (EUR:NTD)
Investments accounted for using the equity method		
USD	17,733	29.81 (USD:NTD)
RMB	21,732	4.92 (RMB:NTD)
<u>Financial liabilities</u>		
Monetary items		
USD	8,498	29.81 (USD:NTD)
RMB	115,680	4.92 (RMB:NTD)
HKD	2,360	3.84 (HKD:NTD)

December 31, 2012

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>
<u>Financial assets</u>		
Monetary items		
USD	\$ 43,851	29.04 (USD:NTD)
RMB	50,757	4.62 (RMB:NTD)
HKD	4,411	3.75 (HKD:NTD)
EUR	15	38.49 (EUR:NTD)
Investments accounted for using the equity method		
USD	6,892	29.04 (USD:NTD)
<u>Financial liabilities</u>		
Monetary items		
USD	13,458	29.04 (USD:NTD)
RMB	147,259	4.62 (RMB:NTD)
HKD	2,118	3.75 (HKD:NTD)
Non-monetary items		
USD (derivatives)	4,076	29.04 (USD:NTD)

January 1, 2012

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>
<u>Financial assets</u>		
Monetary items		
USD	\$ 114,208	30.28 (USD:NTD)
RMB	87,510	4.81 (RMB:NTD)
HKD	4,090	3.90 (HKD:NTD)
EUR	14	39.18 (EUR:NTD)
Investments accounted for using the equity method		
USD	8,076	30.28 (USD:NTD)
<u>Financial liabilities</u>		
Monetary items		
USD	13,769	30.28 (USD:NTD)
RMB	114,977	4.81 (RMB:NTD)
HKD	554	3.90 (HKD:NTD)
Non-monetary items		
USD (derivatives)	3,500	30.28 (USD:NTD)

### 39. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Under IFRS 8 - "Operating Segments," the Company is organized and managed as a single reportable business segment. The Company's operations are mainly in the research, design, manufacture and sale of chipsets and providing R&D service revenue is more than 90 percent of the total revenue.

Operating segment financial information was as follows:

#### **Geographical Areas**

The Company's revenues from Taiwan and from single foreign country for the years ended December 31, 2013 and 2012 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Taiwan	\$ 1,904,053	\$ 1,718,011
Hong-Kong and China	2,477,408	943,906
America	689,426	730,603
Singapore	739,490	708,174
Europe	181,880	262,233
Japan	37,917	30,832
Others	<u>54,619</u>	<u>69,097</u>
	<u>\$ 6,084,793</u>	<u>\$ 4,462,856</u>

#### **Information about Major Customers**

The Company's customers where operating revenues amounted to 10 percent or more of the Company's total operating revenues for the years ended December 31, 2013 and 2012 were as follows:

	For the Year Ended December 31			
	2013		2012	
	Amount	% of Account Total	Amount	% of Account Total
Customer A	\$ 2,395,327	39	\$ -	-
Customer B	714,670	12	618,827	14
Customer C	347,111	6	764,504	17
Customer D	<u>202,327</u>	<u>3</u>	<u>536,530</u>	<u>12</u>
	<u>\$ 3,659,435</u>	<u>60</u>	<u>\$ 1,804,341</u>	<u>43</u>

#### 40. FIRST-TIME ADOPTION OF IFRSs

##### a. Basis of the preparation for financial information under IFRSs

The Company's consolidated financial statements for the year ended December 31, 2013 were the first IFRS financial statements. The Company 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. Effect of the transition from ROC GAAP to IFRSs

After transition to IFRSs, the effect on the Company's consolidated balance sheets as of December 31, and January 1, 2012 as well as the consolidated statements of comprehensive income for the year ended December 31, 2012, was stated as follows:

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

ROC GAAP		Effect of the Transition from ROC GAAP to IFRSs		IFRSs		Note
Item	Amount	Measurement or Recognition Difference	Presentation Difference	Amount	Item	
<u>Assets</u>					<u>Assets</u>	
Current assets					Current assets	
Cash and cash equivalents	\$ 4,712,795	\$ -	\$ (151,076)	\$ 4,561,719	Cash and cash equivalents	5.(1)
Financial assets at fair value through profit or loss - current	2,120,130	-	-	2,120,130	Financial assets at fair value through profit or loss - current	
Available-for-sale financial assets - current	257,053	-	-	257,053	Available-for-sale financial assets - current	
	-	-	151,076	151,076	Debt investments with no active market-current	5.(1)
Notes receivable	11,859	-	-	11,859	Notes receivable	
Trade receivables	280,086	-	-	280,086	Trade receivables	
Trade receivables - related parties	80,204	-	-	80,204	Trade receivables - related parties, net	
Other current financial assets	43,109	-	-	43,109	Other receivables	

(Continued)

ROC GAAP		Effect of the Transition from ROC GAAP to IFRSs		IFRSs		Note
		Measurement or Recognition Difference	Presentation Difference	Amount	Item	
Item	Amount					
Inventories	\$ 1,253,512	\$ -	\$ -	\$ 1,253,512	Inventories	
Deferred income tax assets - current	203,995	-	(203,995)	-	-	5.(2)
Other current assets	180,815	-	-	180,815	Other current assets	
Total current assets	9,143,558	-	(203,995)	8,939,563		
Investments					Investments	
Financial assets measured at cost - non-current	451,169	-	-	451,169	Financial assets measured at cost - non-current	
Investments accounted for using the equity method	276,215	-	-	276,215	Investments accounted for using the equity method	
Total investments	727,384	-	-	727,384		
Property, plant and equipment, net	2,882,231	-	156,042	3,038,273	Property, plant and equipment	5.(3) 、(4)
	-	-	130,519	130,519	Investment properties	5. (4)
Intangible assets					Intangible assets	
Patents	12,639	-	-	12,639	Patents	
	-	-	233,228	233,228	Software cost	5.(3)
Land use rights	104,817	-	(104,817)	-	-	5.(5)
Total intangible assets	117,456	-	128,411	245,867		
Other assets						
Assets leased to others	130,519	-	(130,519)	-	-	5.(4)
Idle assets	134,438	-	(134,438)	-	-	5.(4)
Refundable deposits	40,188	-	-	40,188	Refundable deposits	
Deferred charges	254,832	-	(254,832)	-	-	5.(3)
	-	-	104,817	104,817	Prepaid lease	5.(5)
Deferred income tax assets - non-current	64,459	-	203,995	268,454	Deferred income tax assets - non-current	5.(2)
Other assets - others	45,840	(124)	-	45,716	Other non-current assets	5.(6)
Total other assets	670,276	(124)	(210,977)	459,175		
Total assets	\$ 13,540,905	\$ (124)	\$ -	\$ 13,540,781	Total assets	
Liabilities and stockholders' equity					Liabilities and equity	
Current liabilities						
Financial liabilities at fair value through profit or loss - current	\$ 8,142	\$ -	\$ -	\$ 8,142	Financial liabilities at fair value through profit or loss - current	
Notes payable	1,486	-	-	1,486	Notes payable	
Trade payables	846,695	-	-	846,695	Trade payables	
Accrued expenses	1,198,733	-	-	1,198,733	Other payables	
Income tax payables	63,284	-	-	63,284	Current tax liabilities	
	-	-	39,664	39,664	Provision	5.(7)
Long-term debt due in one year	72,064	-	-	72,064	Long-term debt due in one year	
Temporary receipts	1,052,244	-	-	1,052,244	Temporary receipts	
Other current liabilities	213,227	-	(39,664)	173,563	Other current liabilities	
Total current liabilities	3,455,875	-	-	3,455,875	Total current liabilities	
Long-term debts	1,097,996	-	-	1,097,996	Long-term debts	
Other liabilities	27,668	(24,180)	-	3,488	Other non-current liabilities	5.(6)
Total liabilities	4,581,539	(24,180)	-	4,557,359	Total liabilities	
Stockholders' equity					Equity attributable to owners of the parent	
Common stock	9,866,069	-	-	9,866,069	Common stock	
Capital surplus	3,489,812	(257,461)	-	3,232,351	Capital surplus	7.(8)
Retained earnings					Retained earnings	
Accumulated deficit	(5,568,959)	959,225	-	(4,609,734)	Accumulated deficit	7.(6) 、 (8) 、(9)
Cumulative translation adjustments	677,666	(677,666)	-	-	Exchange differences on translating foreign operation	7.(9)
Unrealized gain or loss on financial instrument	178,479	-	-	178,479	Unrealized gain or loss on available-for-sale financial assets	
Total equity attributable to stockholders of the parent	8,643,067	24,098	-	8,667,165	Total equity attributable to owners of the parent	
Minority interest	316,299	(42)	-	316,257	Non-controlling interest	7.(6)
Total stockholders' equity	8,959,366	24,056	-	8,983,422	Total equity	
Total liabilities and stockholders' equity	\$ 13,540,905	\$ (124)	\$ -	\$ 13,540,781	Total liabilities and equity	

(Concluded)

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

ROC GAAP		Effect of the Transition from ROC GAAP to IFRSs		IFRSs		Note
Item	Amount	Measurement or Recognition Difference	Presentation Difference	Amount	Item	
<u>Assets</u>					<u>Assets</u>	
Current assets					Current assets	
Cash and cash equivalents	\$ 2,374,387	\$ -	\$ (583,950)	\$ 1,790,437	Cash and cash equivalents	5.(1)
Financial assets at fair value through profit or loss - current	1,301,078	-	-	1,301,078	Financial assets at fair value through profit or loss - current	
Available-for-sale financial assets - current	53,342	-	-	53,342	Available-for-sale financial assets - current	
	-	-	583,950	583,950	Debt investments with no active market-current	5.(1)
Notes receivable	2,592	-	-	2,592	Notes receivable	
Trade receivables	247,100	-	-	247,100	Trade receivables	
Trade receivables - related parties	52,020	-	-	52,020	Trade receivables - related parties, net	
Other current financial assets	21,684	-	-	21,684	Other receivables	
Inventories	775,627	-	-	775,627	Inventories	
Deferred income tax assets - current	179,690	-	(179,690)	-	-	5.(2)
Restricted assets - current	90,000	-	-	90,000	Restricted assets	
Other current assets	124,037	-	-	124,037	Other current assets	
Total current assets	5,221,557	-	(179,690)	5,041,867		
Funds and investments					Investments	
Financial assets measured at cost - non-current	427,486	-	-	427,486	Financial assets measured at cost - non-current	
Investments accounted for using the equity method	231,003	-	-	231,003	Investments accounted for using the equity method	
Total investments	658,489	-	-	658,489		
Property, plant and equipment, net	2,784,376	-	150,851	2,935,227	Property, plant and equipment	5.(3) 、(4)
	-	-	126,818	126,818	Investment properties	5. (4)
Intangible assets					Intangible assets	
Patents	4,992	-	-	4,992	Patents	
	-	-	219,492	219,492	Software cost	5.(3)
Land use rights	98,520	-	(98,520)	-	-	5.(5)
Total intangible assets	103,512	-	120,972	224,484		
Other assets						
Assets leased to others	126,818	-	(126,818)	-	-	5.(4)
Idle assets	128,954	-	(128,954)	-	-	5.(4)
Refundable deposits	37,425	-	-	37,425	Refundable deposits	
Deferred charges	241,389	-	(241,389)	-	-	5.(3)
	-	-	98,520	98,520	Prepaid lease	5.(5)
Deferred income tax assets - non-current	13,760	-	179,690	193,450	Deferred income tax assets - non-current	5.(2)
Other assets - others	46,717	(1,834)	-	44,883	Other non-current assets	5.(6)
Total other assets	595,063	(1,834)	(218,951)	374,278		
Total assets	\$ 9,362,997	\$ (1,834)	\$ -	\$ 9,361,163	Total assets	
<u>Liabilities and stockholders' equity</u>					<u>Liabilities and equity</u>	
Current liabilities						
Financial liabilities at fair value through profit or loss - current	\$ 885	\$ -	\$ -	\$ 885	Financial liabilities at fair value through profit or loss - current	
Notes payable	2,244	-	-	2,244	Notes payable	
Trade payables	535,658	-	-	535,658	Trade payables	
Trade payables - related parties	19	-	-	19	Trade payables - related parties	
Accrued expenses	1,241,372	-	-	1,241,372	Other payables	
Income tax payables	68,434	-	-	68,434	Current tax liabilities	
	-	-	59,629	59,629	Provision	5.(7)
Long-term debt due in one year	430,444	-	-	430,444	Long-term debt due in one year	
Temporary receipts	1,201,924	-	-	1,201,924	Temporary receipts	
Other current liabilities	192,075	-	(59,629)	132,446	Other current liabilities	
Total current liabilities	3,673,055	-	-	3,673,055	Total current liabilities	
Long-term debts	1,000,000	-	-	1,000,000	Long-term debts	
Other liabilities	34,085	(12,839)	-	21,246	Other non-current liabilities	5.(6)
Total liabilities	4,707,140	(12,839)	-	4,694,301	Total liabilities	

(Continued)



ROC GAAP		Effect of the Transition from ROC GAAP to IFRSs		IFRSs		Note
Item	Amount	Measurement or Recognition Difference	Presentation Difference	Amount	Item	
Stockholders' equity					Equity attributable to owners of the parent	
Common stock	\$ 4,933,034	-	-	\$ 4,933,034	Common stock	
Capital surplus	260,796	(260,796)	-	-	Capital surplus	5.(8)
Retained earnings					Retained earnings	
Accumulated deficit	(1,476,410)	950,079	-	(526,331)	Accumulated deficit	5.(6)、 (8)、(9)
Cumulative translation adjustments	595,554	(677,666)	-	(82,112)	Exchange differences on translating foreign operation	5.(9)
Unrealized gain or loss on financial instrument	34,644	-	-	34,644	Unrealized gain or loss on available-for-sale assets	
Total equity attributable to stockholders of the parent	4,347,618	11,617	-	4,359,235	Total equity attributable to owners of the parent	
Minority interest	308,239	(612)	-	307,627	Non-controlling interest	7.(6)
Total stockholders' equity	4,655,857	11,005	-	4,666,862	Total equity	
Total liabilities and stockholders' equity	\$ 9,362,997	\$ (1,834)	\$ -	\$ 9,361,163	Total liabilities and equity	

(Concluded)

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

ROC GAAP		Effect of the Transition from ROC GAAP to IFRSs		IFRSs		Note
Item	Amount	Measurement or Recognition Difference	Presentation Difference	Amount	Item	
Revenues	\$ 4,462,856	\$ -	\$ -	\$ 4,462,856	Revenues	
Cost of revenues	(2,960,002)	720	-	(2,959,282)	Cost of revenues	5.(6)
Gross profit	1,502,854	720	-	1,503,574	Gross profit	
Operating expenses					Operating expenses	
Research and development	3,026,086	163	-	3,026,249	Research and development	5.(6)
General and administrative	445,949	(2)	-	445,947	General and administrative	5.(6)
Selling and marketing	1,672,950	(23)	-	1,672,927	Selling and marketing	5.(6)
Total operating expenses	5,144,985	138	-	5,145,123	Total operating expenses	
Operating loss	(3,642,131)	582	-	(3,641,549)	Operating loss	
Other income and expenses	(313,540)	2,460	-	(311,080)	Other income and expenses	5.(6)、(8)
Loss before income tax	(3,955,671)	3,042	-	(3,952,629)	Loss before income tax	
Income tax	(86,502)	-	-	(86,502)	Income tax	
Loss for the period	\$ (4,042,173)	\$ 3,042	\$ -	(4,039,131)	Loss for the period	
				(82,112)	Exchange difference on translating foreign operation	
				(12,758)	Actuarial loss on defined benefit pension plan	5.(6)
				(172,218)	Unrealized valuation gains and losses on available-for-sale financial assets	
				(267,088)	Other comprehensive income and loss for the period, net of income tax	
				\$ (4,306,219)	Total comprehensive income	

#### 4) Optional exemptions from IFRS 1

Under IFRS 1, an entity that adopts IFRS for the first time should apply all IFRSs in preparing financial statements and should make adjustments retrospectively; however, the entity may select to use certain optional exemptions and mandatory exemptions stated in IFRS 1. The main optional exemptions the Company adopted were as follows:

##### a) Business combinations

The Company elected not to apply IFRS 3 - Business Combination retrospectively to business combinations that occurred before the date of transition to IFRSs. Thus, in the opening balance sheet, the amount of goodwill generated from past business combinations remains the same as that shown under ROC GAAP as of December 31, 2011.

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

##### b) Share-based payment transactions

The Company elected to use the exemption from the retrospective application of IFRS 2 - “Share-based Payment” to all equity instruments that were granted and vested before the date of transition to IFRSs.

##### c) Employee benefits

The Company elected to recognize all cumulative actuarial gains and losses on employee benefits in accumulated earnings at the date of transition to IFRSs.

In addition, the Company elected to apply the exemption disclosure requirement provided by IFRS 1, in which the experience adjustments are determined for each accounting period prospectively from the transition date.

##### d) Cumulative translation differences

The Company elected to reset the accumulated balances of exchange differences resulting from translating the financial statements of a foreign operation to zero at the date of transition to IFRSs, and the reversal has been used to offset accumulated earnings as of December 31, 2011. Thus, the gain or loss on any subsequent disposal of foreign operations should exclude translation differences that arose before the date of transition to IFRSs.

##### e) Fair value measurement of financial assets or financial liabilities

The Company elected to apply the “day 1 profit or loss” requirements prospectively to transactions entered into after 1 January 2004 to defer the gain or loss arising from the initial recognition of a financial instrument which was based on a valuation technique that used unobservable inputs.

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) Under ROC GAAP, the term “cash” used in the financial statements includes cash on hand, demand deposits, check deposits, time deposits that are cancellable but without any loss of principal and negotiable certificates of deposit that are readily salable without any loss of principal. However, under IFRSs, cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition. Some certificates of deposit the Company held had maturity of more than 3 months from the date of investment. Thus, as of January 1 and December 31, 2012, the reclassification adjustment resulted in decreases of NT\$151,076 thousand and NT\$583,950 thousand in “cash and cash equivalents” and increases by the same amounts in “debt investments with no active market - current.”
- b) Under ROC GAAP, a deferred income tax asset or liability should be classified as current or noncurrent in accordance with the classification of the related asset or liability for financial reporting. However, a deferred income tax asset or liability that is not related to an asset or liability for financial reporting should be classified as current or noncurrent on the basis of the expected length of time before it is realized or settled. By contrast, under IFRSs, a deferred income tax asset or liability is always classified as noncurrent. Thus, as of January 1 and December 31, 2012, the reclassification adjustment resulted in decreases of NT\$203,995 thousand and NT\$179,690 thousand in “deferred income tax asset - current” and increases by the same amounts in “deferred income tax assets - non-current.”

Under ROC GAAP, deferred tax assets are recognized in full but are reduced by a valuation allowance account if there is evidence showing that a portion of or all the deferred tax assets will not be realized. However, under IFRSs, an entity recognizes only to the extent that it is highly probable that taxable profits will be available against which the deferred tax assets can be used; thus, a valuation allowance account is not used. Thus, as of January 1 and December 31, 2012, the reclassification adjustment resulted in decreases of NT\$3,197,729 thousand and NT\$3,018,156 thousand in “deferred income tax assets” and in the valuation allowance account.

- c) Under ROC GAAP, deferred charges are classified under other assets. Transition to IFRSs, deferred charges are classified under “property, plant and equipment”, “intangible assets” according to the nature. Thus, as of January 1 and, December 31, 2012, the Company reclassified NT\$21,604 thousand and NT\$21,897 thousand, respectively, of “deferred charges” to “property, plant and equipment”; and reclassified NT\$233,228 thousand and NT\$219,492 thousand, respectively, of “deferred charges” to “other intangible assets”.
- d) Under ROC GAAP, assets leased to others are classified under rental assets. By contrast, under IFRSs, originally recognized as other assets of rental assets-office, if the individual house number which can be sold separately, according to nature reclassified as investment properties. As of December 31, 2012 and January 1, 2012, the reclassification adjustment resulted in decreases of NT\$130,519 thousand and NT\$126,818 thousand in “rental assets” and increases by the same amounts in “investment property”. In addition, under ROC GAAP, fixed assets should reclassified as other assets-idle assets items if fixed assets have idle case. By contrast, under IFRSs, idle assets should reclassified as property, plant and equipment. As of December 31, 2012 and January 1, 2012, the reclassification adjustment resulted in decreases of NT\$134,438 thousand and NT\$128,954 thousand in “idle assets” and increases by the same amounts in “property, plant and equipment”.

- e) Under ROC GAAP, Land use rights are classified under Intangible assets. Transition to IFRSs, Land use rights are classified under “Long-term prepaid rent”, “Lease” according to the nature. Thus, as of January 1 and, December 31, 2012, the reclassification adjustment resulted in decrease of NT\$104,817 thousand and increase of NT\$98,520 thousand, respectively.
- f) Under IFRS 1, the Company elected to recognize all cumulative actuarial gains and losses relating to employee benefits at the date of transition to IFRSs. Thus, as of January 1, 2012, the IFRS adjustment resulted in an increase of NT\$24,098 thousand in “accumulated earnings” and decrease of NT\$42 thousand in “minority interest” due to increase in “prepaid pension” by NT\$24,056 thousand.

In 2012, the IFRS adjustment resulted in an increase in “pension costs” by NT\$293 thousand due to decreases in “operating costs” by NT\$720 thousand, “Other miscellaneous income” by NT\$875 thousand and increase in “operating expenses” by NT\$138 thousand. In addition, this adjustment resulted in decreases in “operating expenses” by NT\$8 thousand was attributable to non-controlling interests. Amounts recognized in actuarial losses in respect of the defined benefit plans was NT\$12,785 thousand.

- g) Under ROC GAAP, provisions for estimated sales returns and others are recognized as a reduction in revenue in the year the related revenue is recognized based on historical experience. The corresponding allowance for sales returns and others is presented as a reduction in accounts receivable. By contrast, under IFRSs, the allowance for sales returns and others is a present obligation with uncertain timing and an amount that arises from past events and is therefore reclassified as provisions (recognized under current-liabilities). As of December 31, 2012 and January 1, 2012, the reclassification adjustment resulted in decreases of NT\$39,664 thousand and NT\$59,629 thousand in “other current liabilities” and increases by the same amounts in “provisions”
- h) Under ROC GAAP, if an investee issues new shares and an investor does not purchase new shares proportionately, capital surplus and the long-term equity investment accounts should be adjusted for the change in the investor’s holding percentage and interest in the investee’s net assets. By contrast, under IFRSs, a reduction of investor’s ownership interest that results in loss of significant influence on or control over an investee would be treated as a deemed disposal, with the related gain or loss recognized in profit or loss. An entity may elect not to adjust the difference retrospectively, and the Company elected to use the exemption from retrospective application. The IFRS adjustment resulted in a decrease of capital surplus of NT\$257,461 thousand and a corresponding increase of accumulated earnings by related rules. The change in the investor’s holding percentage due to the employee share options were exercised in 2012, the IFRS adjustment resulted in a decrease of NT\$3,335 thousand in capital surplus and increases by the same amounts in gains on sale of investments.
- i) The Company elected to reset the accumulated balances of exchange differences resulting from translating foreign operation to zero at the date of transition to IFRSs, and the reversal has been used to adjust accumulated earnings as of January 1, 2012. The gain or loss on any subsequent disposals of any foreign operations should exclude accumulated balances of exchange differences resulting from translating foreign operation that arose before the date of transition to IFRSs. Therefore, the IFRS adjustment resulted in a decrease in accumulated balances of exchange differences resulting from translating foreign operation and an increase in accumulated earnings by NT\$677,666 thousand each.

Under the FSC Order No. Jin-Guan-Zheng-Fa 1010012865 issued on April 6, 2012, The Company reclassified unrealized revaluation increment and cumulative translation adjustments to retained earnings. The amount reclassified to retained earnings is appropriated to special reserve. However, if the amount of the increase in retained earnings from the first-time adoption of IFRSs is less than the amount reclassified to retained earnings, then the appropriation to special reserve is limited to the amount of the increase in retained earnings. Upon subsequent usage, disposal or reclassification of the related assets, special reserve shall be

proportionately reversed to retained earnings.

Reconciliation of accumulated deficit were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Exchange differences arising on translating the foreign operations	\$ 677,666	\$ 677,666
Investment in associates are recognized under the equity method	260,796	257,461
Actuarial gain on defined benefit pension plan	<u>11,617</u>	<u>24,098</u>
	<u>\$ 950,079</u>	<u>\$ 959,225</u>

6) Material adjustment to consolidated statement of cash flows

Under ROC GAAP, using the indirect method, the interests and dividends received and interests paid were usually classified as operating cash flows, and dividends paid were usually classified as financial cash flows and supplemental cash flows information is provided for interests paid. However, under IFRS 7, cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period either as operating, investing or financing activities. Thus, for the year ended December 31, 2012, the cash flows of interests received and interest paid in the amount of NT\$24,555 thousand and NT\$42,705 thousand were disclosed separately.

Time deposits that can be readily cancelled without eroding the principal and negotiable certificates of deposit that can be readily sold without eroding the principal meet the definition of cash in accordance with ROC GAAP. However, under FSC-recognized IAS 7 “Statement of Cash Flows”, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Therefore, time deposits with a carrying amount of \$151,076 thousand and \$583,950 thousand as of December 31, 2012 and January 1, 2012, respectively, held by the Company were for investment purposes and thus no longer classified as cash under IFRSs.

Except for the above, the Company’s consolidated statement of cash flows in accordance with IFRSs and ROC GAAP had no other significant differences.