

**Test-Rite International Co., Ltd. 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  
Test-Rite International Co., Ltd.

We have audited the accompanying consolidated balance sheets of Test-Rite International Co., Ltd. and its subsidiaries (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 (all expressed in thousands of New Taiwan dollars). 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 December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

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

March 25, 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.*

**TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**  
**(In Thousands of New Taiwan Dollars)**

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Notes 4 and 6)	\$ 2,418,439	10	\$ 1,881,727	9	\$ 2,093,773	8
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	351,967	1	299,925	1	249,736	1
Available-for-sale financial assets - current (Notes 4 and 8)	-	-	-	-	2,141	-
Debt investments with no active market - current (Notes 4 and 10)	166,123	1	-	-	2,000	-
Notes receivable (Notes 4 and 11)	5,176	-	5,207	-	39,343	-
Trade receivables (Notes 4 and 11)	2,754,264	12	2,408,278	11	2,952,561	11
Other receivables	455,619	2	364,285	2	310,823	1
Inventories (Notes 4 and 12)	5,154,266	22	4,840,887	22	5,928,469	21
Prepayments	563,633	2	547,474	3	915,460	3
Other current financial assets	262	-	599	-	613	-
Other current assets	141,552	1	91,094	-	232,268	1
Total current assets	<u>12,011,301</u>	<u>51</u>	<u>10,439,476</u>	<u>48</u>	<u>12,727,187</u>	<u>46</u>
<b>NON-CURRENT ASSETS</b>						
Available-for-sale financial assets - non-current (Notes 4 and 8)	-	-	-	-	30,450	-
Financial assets measured at cost - non-current (Notes 4 and 9)	71,823	-	73,709	-	109,989	-
Debt investments with no active market - non-current (Notes 4 and 10)	50,000	-	50,000	-	50,000	-
Investments accounted for using equity method (Notes 4 and 13)	-	-	-	-	1	-
Property, plant and equipment (Notes 4 and 14)	6,208,064	27	6,195,672	28	7,743,922	28
Goodwill (Notes 4 and 15)	2,205,300	9	2,180,889	10	3,647,854	13
Other intangible assets (Notes 4 and 16)	214,036	1	219,730	1	209,675	1
Deferred tax assets (Notes 4 and 23)	1,089,192	5	1,066,752	5	1,031,216	4
Refundable deposits paid	933,648	4	841,804	4	833,364	3
Other non-current assets	588,874	3	829,543	4	1,224,003	5
Total non-current assets	<u>11,360,937</u>	<u>49</u>	<u>11,458,099</u>	<u>52</u>	<u>14,880,474</u>	<u>54</u>
<b>TOTAL</b>	<u>\$ 23,372,238</u>	<u>100</u>	<u>\$ 21,897,575</u>	<u>100</u>	<u>\$ 27,607,661</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 17)	\$ 2,256,663	10	\$ 1,764,129	8	\$ 3,397,071	12
Short-term bills payable (Note 17)	9,997	-	-	-	159,842	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	21,085	-	33,755	-
Notes payable	101,403	-	18,372	-	21,100	-
Trade payables	5,365,575	23	4,512,979	20	4,450,756	16
Other payables (Notes 4 and 19)	1,831,223	8	2,164,747	10	1,883,173	7
Current tax liabilities (Note 4)	105,401	-	134,184	1	180,359	1
Advance receipts	603,381	3	604,073	3	655,472	2
Current portion of long-term borrowings (Note 17)	300,000	1	200,000	1	-	-
Liability component of preferred stocks, current	-	-	-	-	335,361	1
Other current liabilities	230,843	1	222,923	1	415,438	2
Total current liabilities	<u>10,804,486</u>	<u>46</u>	<u>9,642,492</u>	<u>44</u>	<u>11,532,327</u>	<u>42</u>
<b>LONG-TERM LIABILITIES</b>						
Long-term borrowings (Note 17)	<u>5,227,615</u>	<u>23</u>	<u>5,013,197</u>	<u>23</u>	<u>7,150,590</u>	<u>26</u>
<b>NON-CURRENT LIABILITIES</b>						
Accrued pension liabilities (Notes 4 and 20)	123,385	-	129,709	1	406,765	1
Refundable deposits received	197,999	1	180,471	1	157,853	1
Deferred credit (Note 14)	150,000	1	200,000	1	250,000	1
Other non-current liabilities	75,593	-	82,837	-	140,678	-
Total non-current liabilities	<u>546,977</u>	<u>2</u>	<u>593,017</u>	<u>3</u>	<u>955,296</u>	<u>3</u>
Total liabilities	<u>16,579,078</u>	<u>71</u>	<u>15,248,706</u>	<u>70</u>	<u>19,638,213</u>	<u>71</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>						
Share capital						
Common stock (Notes 4 and 21)	5,219,555	22	5,219,555	24	5,074,228	18
Capital surplus (Notes 4 and 21)	694,476	3	694,476	3	694,476	3
Retain earnings (Notes 4 and 21)						
Legal reserve	874,164	4	805,210	4	744,159	3
Special reserve	148,098	1	-	-	-	-
Unappropriated earnings	557,887	2	663,161	3	1,426,309	5
Total retain earnings	1,580,149	7	1,468,371	7	2,170,468	8
Other equity (Notes 4 and 21)	(2,390)	-	(23,484)	-	1,682	-
Treasury shares (Notes 4 and 22)	(729,124)	(3)	(729,124)	(4)	(437,139)	(2)
Total equity attributable to owners of the Company	6,762,666	29	6,629,794	30	7,503,715	27
<b>NON-CONTROLLING INTERESTS (Note 4)</b>	<u>30,494</u>	<u>-</u>	<u>19,075</u>	<u>-</u>	<u>465,733</u>	<u>2</u>
Total equity	<u>6,793,160</u>	<u>29</u>	<u>6,648,869</u>	<u>30</u>	<u>7,969,448</u>	<u>29</u>
<b>TOTAL</b>	<u>\$ 23,372,238</u>	<u>100</u>	<u>\$ 21,897,575</u>	<u>100</u>	<u>\$ 27,607,661</u>	<u>100</u>

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

# TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUE (Note 4)	\$ 35,203,864	100	\$ 35,252,142	100
OPERATING COSTS (Note 12)	<u>24,593,530</u>	<u>70</u>	<u>24,848,981</u>	<u>71</u>
GROSS PROFIT	10,610,334	30	10,403,161	29
OPERATING EXPENSES	<u>9,833,596</u>	<u>28</u>	<u>9,682,844</u>	<u>27</u>
PROFIT FROM OPERATIONS	<u>776,738</u>	<u>2</u>	<u>720,317</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	19,754	-	16,960	-
Other income	211,972	1	134,986	-
Share of profit of associates and joint ventures accounted for using equity method	-	-	6,798	-
Gain on disposal of property, plant and equipment	-	-	320	-
Gain on sale of investments, net	9,950	-	48,482	-
Foreign exchange gain, net	1,553	-	194,698	1
Net gain on fair value change of financial assets and liabilities designated as at fair value through profit or loss	34,036	-	11,588	-
Interest expense	(152,665)	-	(195,366)	(1)
Other expense	(160,778)	(1)	(82,079)	-
Loss on disposal of property, plant and equipment	(7,838)	-	(5,621)	-
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>(164,356)</u>	<u>-</u>
Total non-operating income and expenses	<u>(44,016)</u>	<u>-</u>	<u>(33,590)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	732,722	2	686,727	2
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(92,108)</u>	<u>-</u>	<u>(122,033)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>640,614</u>	<u>2</u>	<u>564,694</u>	<u>1</u>
OTHER COMPREHENSIVE INCOME AND LOSSES				
Exchange differences on translating foreign operations	27,038	-	(41,749)	-

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# TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
Unrealized loss on available-for-sale financial assets	\$ -	-	\$ (1,605)	-
Actuarial gain and loss arising from defined benefit plans	2,694	-	(6,823)	-
Other comprehensive income (loss) for the year, net of income tax	29,732	-	(50,177)	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 670,346</u>	<u>2</u>	<u>\$ 514,517</u>	<u>1</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owner of the Company	\$ 635,139	2	\$ 509,214	2
Non-controlling interests	5,475	-	55,480	-
	<u>\$ 640,614</u>	<u>2</u>	<u>\$ 564,694</u>	<u>2</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owner of the Company	\$ 658,927	2	\$ 477,225	1
Non-controlling interests	11,419	-	37,292	-
	<u>\$ 670,346</u>	<u>2</u>	<u>\$ 514,517</u>	<u>1</u>
<b>EARNINGS PER SHARE (Notes 4 and 24)</b>				
Basic	<u>\$ 1.30</u>		<u>\$ 1.03</u>	
Diluted	<u>\$ 1.30</u>		<u>\$ 1.02</u>	

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

(Concluded)

**TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES**

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

	Equity Attributable to Owners of the Company											Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total	Non-controlling Interests	
	Share (In Thousands of Shares)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
BALANCE AT JANUARY 1, 2012	507,423	\$ 5,074,228	\$ 694,476	\$ 744,159	\$ -	\$ 1,426,309	\$ -	\$ 1,682	\$ (437,139)	\$ 7,503,715	\$ 465,733	\$ 7,969,448
Appropriation of 2011 earnings												
Legal reserve	-	-	-	61,051	-	(61,051)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(387,538)	-	-	-	(387,538)	-	(387,538)
Stock dividends	14,533	145,327	-	-	-	(145,327)	-	-	-	-	-	-
Net profit for the year ended December 31, 2012	-	-	-	-	-	509,214	-	-	-	509,214	55,480	564,694
Other comprehensive loss for the year ended December 31, 2012	-	-	-	-	-	(6,823)	(23,509)	(1,657)	-	(31,989)	(18,188)	(50,177)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	-	502,391	(23,509)	(1,657)	-	477,225	37,292	514,517
Buy-back of ordinary shares of treasury shares	-	-	-	-	-	-	-	-	(291,985)	(291,985)	-	(291,985)
Disposal of investments accounted for using equity method	-	-	-	-	-	86,210	-	-	-	86,210	(382,627)	(296,417)
Equity transactions with non-controlling interests	-	-	-	-	-	(757,833)	-	-	-	(757,833)	341,697	(416,136)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(443,020)	(443,020)
BALANCE AT DECEMBER 31, 2012	521,956	5,219,555	694,476	805,210	-	663,161	(23,509)	25	(729,124)	6,629,794	19,075	6,648,869
Special reserve under Rule No. 1010012865 issued by the FSC	-	-	-	-	148,098	(148,098)	-	-	-	-	-	-
Appropriation of 2012 earnings												
Legal reserve	-	-	-	68,954	-	(68,954)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(526,055)	-	-	-	(526,055)	-	(526,055)
Net profit for the year ended December 31, 2013	-	-	-	-	-	635,139	-	-	-	635,139	5,475	640,614
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	-	2,694	21,094	-	-	23,788	5,944	29,732
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	637,833	21,094	-	-	658,927	11,419	670,346
BALANCE AT DECEMBER 31, 2013	521,956	\$ 5,219,555	\$ 694,476	\$ 874,164	\$ 148,098	\$ 557,887	\$ (2,415)	\$ 25	\$ (729,124)	\$ 6,762,666	\$ 30,494	\$ 6,793,160

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

# TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	<u>For the Year Ended December 31</u>	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 732,722	\$ 686,727
Adjustments for:		
Depreciation expenses	668,398	653,700
Amortization expenses	143,140	162,781
Impairment loss recognized on trade receivables	4,501	3,174
Net (gain) loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(34,036)	152,768
Interest expense	152,665	195,366
Interest income	(19,754)	(16,960)
Share of profit of associates and joint ventures accounted for using equity method	-	(6,798)
Loss on disposal and impairment of property, plant and equipment	7,838	5,301
Gain on sale of investments	(9,950)	(48,482)
Unrealized net gain on foreign currency exchange	(1,553)	(194,698)
Amortization of unrealized gain on sale-leaseback	(50,000)	(50,000)
Amortization of liability component of preferred stocks, non-current	-	5,229
Changes in operating assets and liabilities		
Increase in financial assets held for trading	(39,092)	(159,435)
Decrease in notes receivable	31	34,136
(Increase) decrease in trade receivables	(303,563)	439,334
Increase in other receivables	(95,212)	(49,436)
(Increase) decrease in inventories	(313,375)	519,035
(Increase) decrease in prepayments	(42,611)	347,335
(Increase) decrease in other current assets	(50,212)	54,744
Decrease in other financial assets	337	14
Decrease in other operating assets	198,932	737,929
Increase (decrease) in notes payable	82,029	(2,728)
Increase in trade payables	817,872	383,578
(Decrease) increase in other payables	(360,783)	274,327
Decrease in advance receipts	(692)	(51,399)
Increase (decrease) in other current liabilities	7,771	(192,515)
Decrease in other operating liabilities	(10,873)	(24,557)
Cash generated from operations	1,484,530	3,858,470
Interest received	23,636	12,934
Interest paid	(151,766)	(197,921)
Income tax paid	(114,397)	(183,093)
Net cash generated from operating activities	<u>1,242,003</u>	<u>3,490,390</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of debt investments with no active market	(166,123)	-
Proceeds from decreased capital stock of financial assets carried at cost, non-current	4,867	635

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# TEST-RITE INTERNATIONAL CO., LTD. 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 financial assets measured at cost	\$ 6,969	\$ 175
Proceeds on sale of available-for-sale financial assets	-	28,771
Net cash outflow on acquisition of subsidiaries	(8,053)	-
Net cash inflow on disposal of subsidiaries	-	2,109,643
Payments for property, plant and equipment	(703,022)	(563,593)
Proceeds from disposal of property, plant and equipment	14,588	8,304
Increase in refundable deposits paid	(91,844)	(8,440)
Payments for intangible assets	(119,806)	(603,063)
Proceeds from disposal of intangible assets	21,673	130,758
Proceeds on sale of debt investments with no active market	<u>-</u>	<u>2,000</u>
Net cash (used in) generated from investing activities	<u>(1,040,751)</u>	<u>1,105,190</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	492,534	(1,275,677)
Increase (decrease) in short-term bills payable	9,997	(29,923)
Increase in long-term borrowings	2,496,413	7,505,202
Decrease in long-term borrowings	(2,181,995)	(9,442,595)
Increase in refundable deposits received	17,528	22,618
Dividends paid to owners of the Company	(526,055)	(387,538)
Payments for buy-back of ordinary shares	-	(291,985)
Payments for equity transactions with non-controlling interests	-	(416,136)
Change in non-controlling interests	<u>-</u>	<u>(443,020)</u>
Net cash generated from (used in) financing activities	<u>308,422</u>	<u>(4,759,054)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>27,038</u>	<u>(48,572)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>536,712</b>	<b>(212,046)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u><b>1,881,727</b></u>	<u><b>2,093,773</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>\$ 2,418,439</b></u>	<u><b>\$ 1,881,727</b></u>

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

(Concluded)



# TEST-RITE INTERNATIONAL CO., LTD. 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. ORGANIZATION AND OPERATIONS

#### Information of Parent Company

Test-Rite International Co., Ltd. (“Test-Rite”) was established in August 1978.

Test-Rite is engaged mainly in the import and export of hand tools, auto parts, machinery, furniture, and various home appliances. Test-Rite’s marketplaces are primarily located in the United States of America, Canada, Great Britain, France, Germany, Australia, etc.

The Taiwan Securities and Futures Commission approved in February 1993 Test-Rite’s application for stock listing in the Taiwan Stock Exchange.

The consolidated financial statements are presented in Test-Rite’s functional currency, New Taiwan dollars.

As of December 31, 2013 and 2012, Test-Rite and subsidiaries (collectively, the “Company”) had 6,115 and 6,318 employees, respectively.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 25, 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

Test-Rite and its entire controlled subsidiaries (the “Company”) have not applied the following International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations, and Standing Interpretations that have been 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
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

<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 July 1, 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 that would result from adoption of New IFRSs in issue but not yet effective

Except for the following, the impending initial application of the above New IFRSs would not have 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.

Recognition and measurement of financial liabilities

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

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

a) IFRS 10 "Consolidated Financial Statements"

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

returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

b) IFRS 12 “Disclosure of Interests in Other Entities”

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

c) Revision to IAS 28 “Investments in Associates and Joint Ventures”

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

3) IFRS 13 “Fair Value Measurement”

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

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

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

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

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

c. The impact of the application of New IFRSs and the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”) in issue but not yet effective on the Company’s consolidated financial statements is 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 IFRSs approved 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 37 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 taken by the Company, please refer to Note 37.

##### **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 Test-Rite and entities controlled by Test-Rite (its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the year 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.

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

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.

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.

### b. Subsidiary included in consolidated financial statements

Investor	Subsidiaries	Main Businesses	% of Ownership		
			December 31, 2013	December 31, 2012	January 1, 2012
Test-Rite International Co., Ltd.	Fortune Miles Co., Ltd.	Investment holding company	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite Star Co., Ltd.	Investment holding company	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite Investment (B.V.I) Co., Ltd.	Investment in various industries	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite Retailing Co., Ltd.	Investment holding company	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite Trading Co., Ltd.	Investment holding company	100.00	100.00	100.00
Test-Rite International Co., Ltd.	TRS Investment Co., Ltd.	Investment holding company	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite Pte. Ltd.	Importation and exportation	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite Product (Hong Kong) Ltd.	Importation and exportation	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite Int'l (Australia) Pty Ltd.	Importation and exportation	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite Canada Co., Ltd.	Importation and exportation	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite (UK) Co., Ltd.	Importation and exportation	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Test-Rite Development Co., Ltd.	Investment holding company	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Upmaster Co., Ltd.	Investment holding company	100.00	100.00	-
Test-Rite International Co., Ltd. and Upmaster Co., Ltd.	Test-Rite Int'l (U.S.) Co., Ltd.	Investment holding company	100.00	100.00	49.00
Test-Rite International Co., Ltd.	Test-Rite Vietnam Co., Ltd.	Importation and exportation	95.00	95.00	95.00
Test-Rite International Co., Ltd.	Test-Rite Int'l (Thailand) Ltd.	Importation and exportation	48.99	48.99	48.99

(Continued)

Investor	Subsidiaries	Main Businesses	% of Ownership		
			December 31, 2013	December 31, 2012	January 1, 2012
Test-Rite International Co., Ltd.	Lih Chiou Co., Ltd.	Investment holding company	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Lih Teh International Co., Ltd.	Logistics services	100.00	100.00	100.00
Test-Rite International Co., Ltd.	B&S Link Co., Ltd.	Providing information software and electronic information	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Fusion International Distribution, Inc.	Importation and exportation	100.00	100.00	100.00
Test-Rite International Co., Ltd.	Chung Cin Enterprise Co., Ltd.	Authorized builder to build dwelling, rental and sale of building	100.00	100.00	100.00
Test-Rite International Co., Ltd. and Lih Chiou Co., Ltd.	Test-Rite Retail Co., Ltd.	Sale of house decoration hardware and construction materials	100.00	100.00	100.00
Test-Rite International Co., Ltd.	International Art Enterprise Co., Ltd.	Trading of leisure goods	100.00	-	-
Test-Rite International Co., Ltd.	Tong Lung Metal Industry Co., Ltd.	The manufacture and sale of (1) various advanced lock, building metals parts and processed plastic goods (2) molding and tool machines and (3) kitchen and bathroom equipment (4) import and export business related to the aforementioned products	-	-	68.27
Lih Chiou Co., Ltd.	Hola Homefurnishings Co., Ltd.	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	100.00
Lih Chiou Co., Ltd.	Homy Homefurnishings Co., Ltd.	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	100.00
Lih Chiou Co., Ltd.	Freer Inc.	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	100.00
Chung Cin Enterprise Co., Ltd.	Tony Construction Co., Ltd.	Build and civil engineering	100.00	100.00	100.00
Chung Cin Enterprise Co., Ltd.	Test Cin M&E Engineering Co., Ltd.	Mechanical and electronic engineering	100.00	100.00	100.00
Chung Cin Enterprise Co., Ltd.	Chung Cin Interior Design Construction Co., Ltd.	Interior design	100.00	100.00	100.00
Chung Cin Enterprise Co., Ltd.	Viet Han Co., Ltd.	Importation and exportation	51.00	51.00	51.00
Test-Rite Retail	Test-Rite Home Service Co., Ltd.	Interior design	100.00	100.00	100.00
Tong Lung Metal Industry Co., Ltd.	Lucky International (Samoa) Ltd.	Investment	-	-	68.27
Lucky International (Samoa) Ltd.	Tong Lung (Philippines) Metal Industry Co., Inc.	The manufacture and fabrication of various lock	-	-	68.27

(Concluded)

Note 1: Acquisition Upmaster in August 2012.

Note 2: Acquisition International Art Enterprise in January 2013.

Note 3: Disposal Tong Lung in August 2012.

### Foreign Currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the 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. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

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

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

### **Inventories**

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by category, except where it may be appropriate to group similar or related categories. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale. Inventories are recorded using the moving average method.

Real estate and construction in progress are stated at carrying cost or construction cost by construction project. Interest is capitalized during the construction period.

Constructions in progress and advance construction receipts related to the same construction should be netted. If the netted amount is a debit balance, then it should be recorded in construction in progress, whereas credit balance should be recorded in advance construction receipts.

### **Investment 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.

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

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.

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.

When an item of property, plant and equipment is purchased, the Company calculates related cost of future dismantling and transportation of the asset as well as the cost of restoring the area to its original condition; interest expense is recognized annually at the original discount rate and added to the book value of the asset; when the asset is decommissioned at the end of its useful life, the book value is accumulated in the estimated cost of decommissioning the asset.

## **Goodwill**

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

## **Intangible Assets**

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

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. 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.

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

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

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

## **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.

### **a. Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

#### **1) Measurement category**

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

##### **a) Financial assets at fair value through profit or loss**

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

##### **b) Available-for-sale financial assets**

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

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

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

c) Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent, debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

d) Financial assets measured at cost

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured is subsequently measured at cost less any identified impairment loss at the end of each reporting period.

2) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade 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 aging of receivables, historical experience of the counterparties and an analysis of their current financial position for estimating irrecoverable amounts.

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When 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.

3) 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 is recognized in profit or loss.

b. Financial liabilities

1) Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

2) Derecognition of financial liabilities

The Company derecognizes a financial liabilities only when the obligation is removed, cancelled or at maturity. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

c. 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. 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**

The Company recognizes provisions when it has the present obligation resulting from past events which would be paid probably, and the amount can be reliably measured.

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.

### **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.

Specifically, the Company recognize sales revenue when goods are delivered to the buyer and the legal ownership is transferred to the buyer.

Sales of goods that result in award credits for customers, under the Company's award scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the award credits are redeemed and the Company's obligations have been fulfilled.

#### **b. Rendering of services**

Service 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.

#### **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 Company 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 Company 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 Company 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.

b. The Company 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.

### **Retirement Benefit Costs**

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

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

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

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

### **Taxation**

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

a. Current tax

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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.

## **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.

### **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 amounts of trade receivables were \$2,754,264 thousand, \$2,408,278 thousand and \$2,952,561 thousand (deducted by allowances for doubtful debts of \$44,755 thousand, \$40,238 thousand and \$49,807 thousand, respectively).

## 6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	\$ 55,850	\$ 47,566	\$ 55,639
Checking accounts and demand deposits	2,241,054	1,736,589	2,014,836
Cash equivalents	<u>121,535</u>	<u>97,572</u>	<u>23,298</u>
	<u>\$ 2,418,439</u>	<u>\$ 1,881,727</u>	<u>\$ 2,093,773</u>

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

The time deposits with original maturity more than 3 months were \$166,123 thousand, zero and \$2,000 thousand, respectively, as of December 31, 2013, December 31, 2012 and January 1, 2012 were reclassified to debt investments with no active market (Notes 10 and 32).

The time certificates of deposit of the Company, pledged as collaterals for purchases of raw materials and collaterals for warranties of construction and reclassified to refundable deposits paid were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Time deposits	<u>\$ 114,169</u>	<u>\$ 13,134</u>	<u>\$ 27,275</u>

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

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held for trading - current			
Derivative financial assets			
Foreign exchange forward contracts	\$ 2,348	\$ -	\$ 150,289
Non-derivative financial assets			
Equity securities listed in open market	92,464	85,676	7,358
Mutual funds	101,496	149,451	80,472
Corporate bonds	61,862	64,508	11,127
Receivable on short selling stocks	-	290	490
Other	<u>93,797</u>	<u>-</u>	<u>-</u>
	<u>\$ 351,967</u>	<u>\$ 299,925</u>	<u>\$ 249,736</u>
Financial liabilities held for trading - current			
Derivative financial liabilities			
Payable on forward contracts, net	\$ -	\$ 20,795	\$ 11,975
Metal commodity futures contracts	-	-	1,340
Non-derivative financial liabilities			
Payable on short selling stocks	-	290	490
Put option on convertible preferred stocks	<u>-</u>	<u>-</u>	<u>19,950</u>
	<u>\$ -</u>	<u>\$ 21,085</u>	<u>\$ 33,755</u>



Outstanding forward exchange contracts as of balance sheet dates were as follows:

	<b>Currency</b>	<b>Maturity Period</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2013</u>			
Forward exchange contracts - sell	US\$/NT\$	2014.01.02-2014.01.15	US\$10,000/NT\$299,500
Forward exchange contracts - sell	EUR/US\$	2014.01.29	EUR100/US\$137
Forward exchange contracts - buy	US\$/NT\$	2014.01.07-2014.06.18	US\$23,000/NT\$688,850
<u>December 31, 2012</u>			
Forward exchange contracts - sell	US\$/NT\$	2013.01.02-2013.05.24	US\$176,900/NT\$5,154,158
Forward exchange contracts - buy	US\$/NT\$	2013.01.02-2013.06.26	US\$169,900/NT\$4,950,206
Forward exchange contracts - sell	EUR/US\$	2013.01.28-2013.09.27	EUR3,282/US\$4,325
<u>January 1, 2012</u>			
Forward exchange contracts - sell	US\$/NT\$	2012.01.05-2012.10.17	US\$204,930/NT\$6,207,330
Forward exchange contracts - buy	US\$/NT\$	2012.01.05-2012.12.19	US\$146,000/NT\$4,422,340
Forward exchange contracts - sell	EUR/US\$	2012.01.31-2012.09.28	EUR5,957/US\$7,701
Forward exchange contracts - sell	US\$/NT\$	2012.0.05-2012.10.17	US\$16,000/NT\$484,400
Forward exchange contracts - sell	US\$/NT\$	2012.01.05-2012.07.17	US\$21,430/NT\$648,793
Forward exchange contracts - buy	US\$/NT\$	2012.01.31	US\$2,000/NT\$60,550

The Company entered into derivative contracts to manage exposures to exchange rate fluctuations of foreign-currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for using hedge accounting.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Listed stocks	\$ -	\$ -	\$ 1,521
Mutual funds	<u>-</u>	<u>-</u>	<u>31,070</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,591</u>
Current	\$ -	\$ -	\$ 2,141
Non-current	<u>-</u>	<u>-</u>	<u>30,450</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,591</u>

## 9. FINANCIAL ASSETS MEASURED AT COST

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic investments			
Domestic unlisted common shares	\$ 43,902	\$ 46,304	\$ 48,657
Foreign investments			
Overseas unlisted common shares	<u>27,921</u>	<u>27,405</u>	<u>61,332</u>
	<u>\$ 71,823</u>	<u>\$ 73,709</u>	<u>\$ 109,989</u>
Classified according to financial asset measurement categories			
Available-for-sale financial assets	<u>\$ 71,823</u>	<u>\$ 73,709</u>	<u>\$ 109,989</u>

Management believed that the above unlisted equity investments held 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.

## 10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Time deposits with original maturity more than 3 months (Note 6)	<u>\$ 166,123</u>	<u>\$ -</u>	<u>\$ 2,000</u>
Non-current			
Subordinated bond of Ta Chong Bank	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>

As of December 31, 2013, December 31, 2012 and January 1, 2012, time deposits with no active market of \$100,932 thousand, zero and zero were pledged as collaterals for borrowings (see Note 33).

## 11. NOTES AND TRADE RECEIVABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Non-related parties			
Notes receivable	\$ 5,176	\$ 5,207	\$ 39,343
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>
	<u>5,176</u>	<u>5,207</u>	<u>39,343</u>
Trade receivables	2,799,019	2,448,516	3,002,368
Less allowance for doubtful accounts	<u>(44,755)</u>	<u>(40,238)</u>	<u>(49,807)</u>
	<u>2,754,264</u>	<u>2,408,278</u>	<u>2,952,561</u>
	<u>\$ 2,759,440</u>	<u>\$ 2,413,485</u>	<u>\$ 2,991,904</u>

The average credit period of sales of goods was 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. Allowance for impairment loss is recognized based on estimated irrecoverable amounts determined by reference to the aging of receivables, historical experience of the counterparties and an analysis of their current financial position.

The aging of trade receivables (current and past due) was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Not overdue	\$ 2,347,396	\$ 1,979,758	\$ 2,679,949
Less than 30 days	155,356	243,262	228,448
31-60 days	24,514	117,255	22,576
More than 61 days	<u>271,753</u>	<u>108,241</u>	<u>71,395</u>
	<u>\$ 2,799,019</u>	<u>\$ 2,448,516</u>	<u>\$ 3,002,368</u>

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

	<u>For the Year Ended December 31</u>	
	2013	2012
Balance at January 1	\$ 40,238	\$ 49,807
Add: Impairment losses recognized on receivables	4,501	3,174
Effect of exchange rate changes	<u>16</u>	<u>(12,743)</u>
Balance at December 31	<u>\$ 44,755</u>	<u>\$ 40,238</u>

The trade receivables factoring was summarized as follows:

(Unit: US\$ in Dollars; NTS in Thousands)

Counterparties	Balance at Beginning of Year	Factoring During the Year	Amounts Collected During the Year	Balance at End of Year (Note 1)	Balance at End of Year of Advances Received	Interest Rates on Advances Received (%)	Retention for Factoring	Credit Line	Collateral
<u>2013</u>									
E.SUN Bank	\$ _____	\$ <u>617</u> (Note 3)	\$ <u>617</u> (Note 4)	\$ _____	\$ _____	-	\$ _____	-	-
<u>2012</u>									
Taishin International Bank	\$ <u>22,507</u> (Note 2)	\$ <u>46,524</u> (Note 3)	\$ <u>55,389</u> (Note 4)	\$ _____	\$ _____	-	\$ _____	US\$6,200,000	US\$620,000
Taipei Fubon Bank	\$ <u>356,819</u> (Note 5)	\$ <u>1,605,193</u> (Note 6)	\$ <u>1,962,012</u> (Note 7)	\$ _____	\$ _____	-	\$ _____	-	-

Note 1: Balance at end of year of factored receivables had been derecognized as trade receivables.

Note 2: US\$772,475.

Note 3: US\$20,602; US\$1,128,587.

Note 4: US\$20,602; US\$1,901,062.

Note 5: US\$12,246,670.

Note 6: US\$55,093,105.

Note 7: US\$67,339,775.

The above credit lines may be used on a revolving basis.

## 12. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Merchandise - retail	\$ 3,465,040	\$ 3,351,533	\$ 3,606,406
Merchandise - trade	1,367,664	1,362,443	1,589,063
Raw materials	-	-	389,106
Work-in-process	-	-	144,882
Finished goods	-	-	74,414
Merchandise - manufacturing	-	-	59,004
Construction in progress	<u>321,562</u>	<u>126,911</u>	<u>65,594</u>
	<u>\$ 5,154,266</u>	<u>\$ 4,840,887</u>	<u>\$ 5,928,469</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2012 was \$22,369,054 thousand and \$22,703,295 thousand, respectively.

The operating cost included inventory devaluation in the amount of \$16,975 thousand and loss on physical inventory count in the amount of \$922 thousand for the year ended December 31, 2013; the operating cost included reversal of inventory devaluation in the amount of \$9,972 thousand and loss on physical inventory count in the amount of \$57,211 thousand for the year ended December 31, 2012.

Merchandise - retail is the inventories of TR Retailing and Test-Rite Retail.

Merchandise - trade is the inventories of Test-Rite, TR Trading, TR Canada, TR Development, Test-Rite Int'l (U.S.), Test Cin M&E Engineering and Chung Cin Enterprise.

Construction in progress is the inventories of Chung Cin Enterprise, Tony Construction, Test Cin M&E Engineering, Chung Cin Interior Design Construction.

## 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

### Investments in Associates

	December 31, 2013	December 31, 2012	January 1, 2012
Unlisted companies			
TR Mexico	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>

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

Name of Associate	December 31, 2013	December 31, 2012	January 1, 2012
TR Mexico	-	-	49%

## 14. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2013	December 31, 2012	January 1, 2012
Land	\$ 545,512	\$ 527,853	\$ 813,086
Buildings and improvements	2,215,134	2,101,200	2,983,910
Machinery and equipment	6,048	26,683	115,612
Transportation equipment	24,879	24,642	39,346
Furniture, fixtures and office equipment	214,169	211,249	97,481
Leasehold improvements	2,915,564	2,800,433	3,025,418
Molds and tools	4,520	6,120	68,552
Other equipment	254,957	396,544	540,330
Prepayments for property, plant and equipment	<u>27,281</u>	<u>100,948</u>	<u>60,187</u>
	<u>\$ 6,208,064</u>	<u>\$ 6,195,672</u>	<u>\$ 7,743,922</u>

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Molds and Tools	Other Equipment	Prepayments for Property, Plant and Equipment	Total
<b>Cost</b>										
Balance at January 1, 2012	\$ 813,086	\$ 3,373,492	\$ 921,239	\$ 106,930	\$ 286,633	\$ 6,205,344	\$ 139,693	\$ 1,746,922	\$ 60,187	\$13,653,526
Additions	-	-	10,482	11,250	237,045	267,937	5,194	67,600	70,835	670,343
Disposals	-	-	(271)	(5,284)	(10,714)	(17,580)	(274)	(22,320)	(14,327)	(70,770)
Disposal of subsidiaries	(285,233)	(864,801)	(965,177)	(39,610)	(42,276)	-	(93,143)	(43,275)	(11,028)	(2,344,543)
Reclassified	-	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	(157,262)	104,199	(14,030)	329,023	101,581	(39,539)	(531,704)	(4,719)	(212,451)
Balance at December 31, 2012	<u>\$ 527,853</u>	<u>\$ 2,351,429</u>	<u>\$ 70,472</u>	<u>\$ 59,256</u>	<u>\$ 799,711</u>	<u>\$ 6,557,282</u>	<u>\$ 11,931</u>	<u>\$ 1,217,223</u>	<u>\$ 100,948</u>	<u>\$11,696,105</u>
<b>Accumulated depreciation and impairment</b>										
Balance at January 1, 2012	\$ -	\$ 389,582	\$ 805,627	\$ 67,584	\$ 189,152	\$ 3,179,926	\$ 71,141	\$ 1,206,592	\$ -	\$ 5,909,604
Depreciation expense	-	57,353	33,522	6,791	20,530	352,442	297	108,904	-	579,839
Disposals	-	-	(18)	(2,212)	(8,593)	(9,054)	(21)	(45,571)	-	(65,469)
Disposal of subsidiaries	-	(188,071)	(786,704)	(28,583)	(27,310)	-	(34,294)	(36,889)	-	(1,101,851)
Reclassified	-	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	(8,635)	(8,638)	(8,966)	414,683	233,535	(31,312)	(412,357)	-	178,310
Balance at December 31, 2012	<u>\$ -</u>	<u>\$ 250,229</u>	<u>\$ 43,789</u>	<u>\$ 34,614</u>	<u>\$ 588,462</u>	<u>\$ 3,756,849</u>	<u>\$ 5,811</u>	<u>\$ 820,679</u>	<u>\$ -</u>	<u>\$ 5,500,433</u>
Carrying amounts at January 1, 2012	<u>\$ 813,086</u>	<u>\$ 2,983,910</u>	<u>\$ 115,612</u>	<u>\$ 39,346</u>	<u>\$ 97,481</u>	<u>\$ 3,025,418</u>	<u>\$ 68,552</u>	<u>\$ 540,330</u>	<u>\$ 60,187</u>	<u>\$ 7,743,922</u>
Carrying amounts at December 31, 2012	<u>\$ 527,853</u>	<u>\$ 2,101,200</u>	<u>\$ 26,683</u>	<u>\$ 24,642</u>	<u>\$ 211,249</u>	<u>\$ 2,800,433</u>	<u>\$ 6,120</u>	<u>\$ 396,544</u>	<u>\$ 100,948</u>	<u>\$ 6,195,672</u>
<b>Cost</b>										
Balance at January 1, 2013	\$ 527,853	\$ 2,351,429	\$ 70,472	\$ 59,256	\$ 799,711	\$ 6,557,282	\$ 11,931	\$ 1,217,223	\$ 100,948	\$11,696,105
Additions	17,659	19,885	28,778	5,399	52,894	200,891	2,677	418	327,184	655,785
Disposals	-	-	(9,803)	(3,544)	(21,474)	(43,052)	-	(6,925)	(245)	(85,043)
Reclassified	-	-	(12,375)	(580)	23,568	164,425	(3,978)	2,622	(401,642)	(227,960)
Effect of foreign currency exchange differences	-	557,029	-	8,862	9,356	190,718	(152)	(446,101)	1,036	320,748
Balance at December 31, 2013	<u>\$ 545,512</u>	<u>\$ 2,928,343</u>	<u>\$ 77,072</u>	<u>\$ 69,392</u>	<u>\$ 864,055</u>	<u>\$ 7,070,264</u>	<u>\$ 10,478</u>	<u>\$ 767,237</u>	<u>\$ 27,281</u>	<u>\$12,359,635</u>
<b>Accumulated depreciation and impairment</b>										
Balance at January 1, 2013	\$ -	\$ 250,229	\$ 43,789	\$ 34,614	\$ 588,462	\$ 3,756,849	\$ 5,811	\$ 820,679	\$ -	\$ 5,500,433
Depreciation expense	-	83,707	69,918	8,513	79,726	405,612	4,105	16,817	-	668,398
Disposals	-	-	(15,006)	(3,177)	(31,627)	(25,151)	-	(6,860)	-	(81,821)
Reclassified	-	(5)	(27,677)	(580)	(148)	(14,383)	(3,978)	29	-	(46,742)
Effect of foreign currency exchange differences	-	379,278	-	5,144	13,473	31,773	20	(318,385)	-	111,303
Balance at December 31, 2013	<u>\$ -</u>	<u>\$ 713,209</u>	<u>\$ 71,024</u>	<u>\$ 44,514</u>	<u>\$ 649,886</u>	<u>\$ 4,154,700</u>	<u>\$ 5,958</u>	<u>\$ 512,280</u>	<u>\$ -</u>	<u>\$ 6,151,571</u>
Carrying amounts at December 31, 2013	<u>\$ 545,512</u>	<u>\$ 2,215,134</u>	<u>\$ 6,048</u>	<u>\$ 24,879</u>	<u>\$ 214,169</u>	<u>\$ 2,915,564</u>	<u>\$ 4,520</u>	<u>\$ 254,957</u>	<u>\$ 27,281</u>	<u>\$ 6,208,064</u>

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

Building and improvements	35-60 years
Machinery and equipment	2-20 years
Transportation equipment	3-05 years
Furniture, fixtures and office equipment	3-10 years
Leasehold improvements	3-20 years
Molds and tools	2-10 years
Other equipment	3-17 years

Test-Rite sold a real property and leased it back immediately in consideration of business strategies. Based on generally accepted accounting principles, the profit from the sale and leaseback is required to be deferred and recognized evenly during the lease term. Under R.O.C. GAAP, Test-Rite recorded \$2,347,885 thousand unrealized gain, which is amortized over lease term. Under IFRSs, if the sale price is fair value, the sale and leaseback should be recognized immediately to the profit or loss; sale price is higher than the fair value should be deferred and expect to be amortized over lease term. For the years ended December 31, 2013 and 2012, the amortization of unrealized gain was \$50,000 thousand, which was treated as a reduction of rental cost. As of December 31, 2013 and 2012, the unrealized gain was \$200,000 thousand and \$250,000 thousand, respectively, which were recorded: The current portion of \$50,000 thousand as other current liabilities and the noncurrent portion of \$150,000 thousand and \$200,000 thousand, respectively, as other liabilities - deferred credit.

The owner of the property mentioned above had sold the property to Tsai Wang Enterprise, a related party of Test-Rite, on September 7, 2011. Thus, Tsai Wang Enterprise became the lessor of the building. There were no major differences as to the principal terms of lease contract between the renewal and the original. Rental of \$291,531 thousand and \$280,642 thousand, respectively, before amortization of unrealized gain, was paid to the related party.

The carrying values of property, plant and equipment pledged as collaterals to banks to secure short-term and long-term borrowings were as follows (see Note 33):

	December 31, 2013	December 31, 2012	January 1, 2012
Land	\$ -	\$ -	\$ 247,665
Buildings and improvements	<u>-</u>	<u>-</u>	<u>156,116</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 403,781</u>

## 15. GOODWILL

	<u>For the Year Ended December 31</u>	
	2013	2012
Balance at January 1	\$ 2,180,889	\$ 3,647,854
Additional amounts recognized from business combinations occurring during the year (Note 25)	53,799	-
Derecognized on disposal of a subsidiary (Note 26)	-	(1,470,222)
Effect of foreign currency exchange differences	<u>(29,388)</u>	<u>3,257</u>
Balance at December 31	<u>\$ 2,205,300</u>	<u>\$ 2,180,889</u>

The carrying amount of goodwill was allocated to cash-generating units as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Retail	\$ 2,092,938	\$ 2,120,623	\$ 2,116,748
Trading	92,969	40,873	1,511,713
Others	<u>19,393</u>	<u>13,393</u>	<u>19,393</u>
	<u>\$ 2,205,300</u>	<u>\$ 2,180,889</u>	<u>\$ 3,647,854</u>

For the years ended December 31, 2013 and 2012, the Company evaluated the recoverable amounts of the above three cash-generating units, and no indication of impairment was found.

The calculation of value in use was based on expected future cash flows of financial budgets approved by management covering a five-year period and the growth rate used in preparing the budgets was based on the prediction of related industry.

## 16. OTHER INTANGIBLE ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Computer software	<u>\$ 214,036</u>	<u>\$ 219,730</u>	<u>\$ 209,675</u>
			<b>Computer Software</b>
<u>Cost</u>			
Balance at January 1, 2012			\$ 479,492
Additions			603,063
Disposals			(130,758)
Classified			<u>(299,469)</u>
Balance at December 31, 2012			<u>\$ 652,328</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2012			\$ 269,817
Amortization expense			<u>162,781</u>
Balance at December 31, 2012			<u>\$ 432,598</u>
Carrying amounts at January 1, 2012			<u>\$ 209,675</u>
Carrying amounts at December 31, 2012			<u>\$ 219,730</u>
<u>Cost</u>			
Balance at January 1, 2013			\$ 652,328
Additions			119,806
Disposals			(21,673)
Classified			<u>27,270</u>
Balance at December 31, 2013			<u>\$ 777,731</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2013			\$ 432,598
Amortization expense			143,140
Classified			<u>(12,043)</u>
Balance at December 31, 2013			<u>\$ 563,695</u>
Carrying amounts at December 31, 2013			<u>\$ 214,036</u>

## 17. BORROWINGS

	December 31, 2013	December 31, 2012	January 1, 2012
Short-term borrowings	\$ 2,256,663	\$ 1,764,129	\$ 3,397,071
Short-term bills payable	\$ 9,997	\$ -	\$ 159,842
Current portion of long-term borrowings	\$ 300,000	\$ 200,000	\$ -
Long-term borrowings	\$ 5,227,615	\$ 5,013,197	\$ 7,150,590

- a. Short-term borrowings as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

	December 31, 2013		December 31, 2012		January 1, 2012	
	Interest Rate %	Amount	Interest Rate %	Amount	Interest Rate %	Amount
Secured borrowings	0.88%-6.60%	\$ 2,256,663	1.11%-6.60%	\$ 1,764,129	0.75%-7.216%	\$ 3,291,316
Unsecured borrowings	-	-	-	-	6.405%	105,755
		<u>\$ 2,256,663</u>		<u>\$ 1,764,129</u>		<u>\$ 3,397,071</u>

- b. Short-term bills payable

	December 31, 2013	December 31, 2012	January 1, 2012
Commercial paper	\$ 10,000	\$ -	\$ 160,000
Less: Unamortized discount on bills payable	(3)	-	(158)
	<u>\$ 9,997</u>	<u>\$ -</u>	<u>\$ 159,842</u>

- c. Long-term borrowings

	December 31, 2013		December 31, 2012	January 1, 2012
	Interest Rate	Amount	Amount	Amount
First Commercial Bank's Syndicate Loan				
Unsecured loan from June 24, 2011 to June 24, 2016. The authorized credit line of \$2,000 million. Interest is paid monthly. The principal due in 7 semi-annual installments with first installment due on June 24, 2013.	1.6284%	\$ 1,800,000	\$ 2,000,000	\$ 2,000,000
Unsecured loan from September 24, 2013 to June 24, 2016. The authorized credit line of \$4,000 million. Interest is paid monthly, principal due on June 24, 2016.	1.5947%	300,000	-	-

(Continued)



	<u>December 31, 2013</u>		<u>December 31,</u>	<u>January 1,</u>
	<u>Interest Rate</u>	<u>Amount</u>	<u>2012</u>	<u>2012</u>
			<u>Amount</u>	<u>Amount</u>
Unsecured loan from October 1, 2011 to June 24, 2016. The authorized credit line of \$4,000 million. Interest is paid monthly, principal due on June 24, 2016.	0.9372%- 0.9399%	\$ 898,500	\$ 1,019,760	\$ 2,150,590
Unsecured loan from June 22, 2012 to July 30, 2017. The authorized credit line of \$500 million. The remaining principal with first installment is due on June 22, 2015.	1.750%- 2.000%	500,000	500,000	-
Taiwan Business Bank's Syndicate Loan				
Unsecured loan from October 26, 2009 to October 26, 2014. The authorized credit line is \$2,160,000 thousand, principal due on October 26, 2014. In October 2013, the Company paid the principal in full in advance.		-	500,000	1,200,000
Unsecured loan from October 26, 2013 to January 16, 2014. The authorized credit line is \$29,000 thousand, principal due on January 16, 2014. Interest is paid monthly.	2.150%	709,815	-	-
First Commercial Bank and Taiwan Business Bank's Syndicate Loan				
Unsecured loan from July 16, 2012 to July 16, 2019. The authorized credit line is \$29,000 thousand. The principal due in annual installments with first installment due on July 16, 2017.	2.150%	299,500	693,437	-
Bank SinoPac Co., Ltd.				
Unsecured loan from June 18, 2012 to June 18, 2015. The authorized credit line of \$500 million. Interest is paid monthly, principal due on June 18, 2015.	1.547%	500,000	500,000	500,000

(Continued)

	<u>December 31, 2013</u>		<u>December 31,</u>	<u>January 1,</u>
	<u>Interest Rate</u>	<u>Amount</u>	<u>2012</u>	<u>2012</u>
			<u>Amount</u>	<u>Amount</u>
Export-Import Bank of the Republic of China				
Unsecured loan period from November 18, 2013 to November 19, 2018. The principal is due in 5 semi-annual installments with first installment due on first interest payment after the first 3 years since the initial borrowing. Interest is paid quarterly.	1.2331%	\$ 119,800	\$ -	\$ -
Chang Hwa Bank				
Unsecured loan from October 1, 2013 to October 1, 2016. The authorized credit line of \$400 million, shared with Taiwan Business Bank's syndicate loan. The principal due on October 1, 2016.	1.8970%	200,000	-	-
Industrial Bank of Taiwan				
Unsecured loan from August 29, 2013 to August 15, 2017. The authorized credit line of \$200 million. The principal due in 12 monthly installments with first installment due on September 15, 2016.	1.7918%	100,000	-	-
Unsecured loan from September 25, 2013 to August 29, 2017. The authorized credit line of \$200 million. The principal due on August 29, 2017.	1.7918%	100,000	-	-
Taishin International Bank				
Unsecured loan from June 20, 2011 to June 20, 2013. Interest is paid monthly. In March 2012, the Company paid the principal in full in advance.		-	-	300,000
Jihsun Bank				
Unsecured loan from December 29, 2011 to July 1, 2013. In January 2012, the Company paid the principal in full in advance.		-	-	200,000

(Continued)

	<u>December 31, 2013</u>		<u>December 31,</u>	<u>January 1,</u>
	<u>Interest Rate</u>	<u>Amount</u>	<u>2012</u>	<u>2012</u>
			<u>Amount</u>	<u>Amount</u>
Taiwan Business Bank				
Unsecured loan from November 22, 2010 to November 22, 2015. Principal is paid in 12 quarterly payments starting from February 15, 2013. Interest is paid monthly. In March 2012, the Company paid the principal in full in advance.	\$	-	\$	500,000
Shanghai Commercial & Savings Bank				
Unsecured loan from November 22, 2010 to November 22, 2014. Principal is paid in 8 quarterly payments starting from February 21, 2013. Interest is paid monthly. In March 2012, the Company paid the principal in full in advance.		-	-	300,000
Less current portion		<u>(300,000)</u>	<u>(200,000)</u>	<u>-</u>
		<u>\$ 5,227,615</u>	<u>\$ 5,013,197</u>	<u>\$ 7,150,590</u>
				(Concluded)

- 1) Test-Rite promised to maintain the following financial covenants according to the loan agreements:
- a) First Commercial Bank Syndicated Loan
    - i. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Total Assets of not more than 2 to 1.
    - ii. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of not less than 1 to 1.
    - iii. EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to interest expense of greater than 2.5 to 1.
    - iv. Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of not less than \$5,200,000 thousand.
    - v. The calculations of the ratios are based on Test-Rite financial statements for the year ended December 31.
  - b) First Commercial Bank and Taiwan Business Bank's Syndicated Loan
    - i. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Total Assets of not more than 2 to 1.
    - ii. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of not less than 1 to 1.

- iii. EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to interest expense of greater than 2.5 to 1.
  - iv. Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of not less than \$5,200,000 thousand.
  - v. The calculations of the ratios are based on Test-Rite financial statements for the year ended December 31.
- c) Bank SinoPac Co., Ltd.
- i. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Total Assets of not more than 2 to 1. (Total liabilities should exclude other current liabilities and other liabilities - deferred credit that resulted from sale-leaseback.)
  - ii. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of not less than 1 to 1.
  - iii. EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to interest expense of greater than 2.5 to 1.
  - iv. Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of not less than \$5,200,000 thousand.
  - v. The calculations of the ratios are based on Test-Rite financial statements for the year ended December 31.
- 2) According to the loan agreement, Test-Rite Retail promised to maintain certain financial covenants as follows:
- a) Total Liabilities Ratio, Test-Rite shall maintain a ratio of Bank Loans and Bills Payable to Tangible Assets of not more than 2 to 1.
  - b) Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Short-Term Bank Loans and Short-Term Bills Payable of not less than 1 to 1.
  - c) EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to interest expense of greater than 3 to 1.
  - d) The calculations of the ratios are based on Test-Rite Retail financial statements for the year ended December 31.

## 18. PROVISIONS

	December 31, 2013	December 31, 2012	January 1, 2012
Decommissioning cost (included in other non-current liabilities)	\$ 46,357	\$ 51,300	\$ 49,233
Employee benefits (included in other payables)	-	16,796	23,107
Customer returns and rebates (included in other payables)	<u>7,189</u>	<u>1,822</u>	<u>30,090</u>
	<u>\$ 53,546</u>	<u>\$ 69,918</u>	<u>\$ 102,430</u>

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Current	\$ 7,189	\$ 18,618	\$ 53,197
Non-current	<u>46,357</u>	<u>51,300</u>	<u>49,233</u>
	<u>\$ 53,546</u>	<u>\$ 69,918</u>	<u>\$ 102,430</u> (Concluded)

- a. The provision of decommissioning cost represents the present value of the cost of clearing away and recovering property, plant and equipment. The estimated cost was required by laws and contracts.
- b. The provision for employee benefits represents annual leave and vested long service leave entitlements accrued.
- c. The provision of customer returns and rebates was based on historical experience, management's judgments and other known reasons estimated product returns and rebates may occur in the year. The provision was recognized as a reduction of operating income in the periods of the related goods sold.

## 19. OTHER PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Accrued expenses	\$ 1,344,042	\$ 1,205,924	\$ 1,229,728
Payable for purchase of property, plant and equipment	29,202	76,439	67,684
Other notes payable	5,991	31,662	19,826
Bonuses payable to employees	15,920	56,430	53,452
Bonuses payable to directors and supervisors	28,467	30,718	30,829
Payable for annual leave	-	16,796	23,107
Allowance of customer returns	7,189	1,822	30,090
Others	<u>400,412</u>	<u>744,956</u>	<u>428,457</u>
	<u>\$ 1,831,223</u>	<u>\$ 2,164,747</u>	<u>\$ 1,883,173</u>

## 20. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

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

- b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

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

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

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Discount rate	1.250%-1.875%	1.375%-1.625%	1.875%
Expected return on plan assets	1.200%-2.000%	1.875%	1.875%
Expected rate of salary increase	2.500%-3.000%	2.500%-3.000%	3.000%

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2013</b>	<b>2012</b>
Current service cost	\$ 3,425	\$ 3,880
Interest cost	4,852	5,414
Expected return on plan assets	<u>(4,585)</u>	<u>(4,979)</u>
	<u>\$ 3,692</u>	<u>\$ 4,315</u>
An analysis by function		
Marketing expenses	<u>\$ 3,692</u>	<u>\$ 4,315</u>

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012 was actuarial gains \$2,694 thousand and actuarial losses \$6,823 thousand, respectively. The cumulative amount of actuarial losses recognized in other comprehensive income as of December 31, 2013 and 2012 was \$4,129 thousand and \$6,823 thousand, respectively.

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

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Present value of funded defined benefit obligation	\$ 345,784	\$ 324,789	\$ 785,153
Fair value of plan assets	<u>(281,734)</u>	<u>(247,899)</u>	<u>(411,578)</u>
Net liability arising from defined benefit obligation	64,050	76,890	373,575
Prepaid pension cost (included in other assets)	<u>59,335</u>	<u>52,819</u>	<u>33,190</u>
Liability arising from defined benefit obligation (included in other liabilities)	<u>\$ 123,385</u>	<u>\$ 129,709</u>	<u>\$ 406,765</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2013</b>	<b>2012</b>
Opening defined benefit obligation	\$ 324,789	\$ 785,153
Current service cost	3,425	3,880
Interest cost	4,852	5,414
Actuarial losses	15,624	5,654
Benefits paid	(2,906)	(21,132)
Disposal of investment under equity method	<u>-</u>	<u>(454,180)</u>
Closing defined benefit obligation	<u>\$ 345,784</u>	<u>\$ 324,789</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2013</b>	<b>2012</b>
Opening fair value of plan assets	\$ 247,899	\$ 411,578
Expected return on plan assets	4,585	4,979
Actuarial losses (gains)	18,318	(1,168)
Contributions from the employer	13,838	13,161
Benefits paid	(2,906)	(21,132)
Disposal of investment under equity method	<u>-</u>	<u>(159,519)</u>
Closing fair value of plan assets	<u>\$ 281,734</u>	<u>\$ 247,899</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2013</b>	<b>2012</b>
Cash	22.86%	23.39%
Short-term payables	4.10%	10.45%
Debt instruments	9.37%	11.00%
Fixed income instruments	18.11%	16.06%
Equity instruments	44.77%	38.29%
Government loans	-	0.07%
Others	<u>0.79%</u>	<u>0.74%</u>
	<u>100.00%</u>	<u>100.00%</u>

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

## 21. EQUITY

### a. Share capital

	December 31, 2013	December 31, 2012	January 1, 2012
Numbers of shares authorized (in thousands)	<u>750,000</u>	<u>750,000</u>	<u>660,000</u>
Shares authorized	<u>\$ 7,500,000</u>	<u>\$ 7,500,000</u>	<u>\$ 6,600,000</u>
Number of shares issued and fully paid (in thousands)	<u>521,956</u>	<u>521,956</u>	<u>507,423</u>
Shares issued	<u>\$ 5,219,555</u>	<u>\$ 5,219,555</u>	<u>\$ 5,074,228</u>

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

### b. Capital surplus

	December 31, 2013	December 31, 2012	January 1, 2012
Additional paid-in capital - issuance of shares in excess of par	\$ 689,395	\$ 689,395	\$ 689,395
Treasury shares	<u>5,081</u>	<u>5,081</u>	<u>5,081</u>
	<u>\$ 694,476</u>	<u>\$ 694,476</u>	<u>\$ 694,476</u>

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

### c. Retained earnings and dividend policy

According to the Company Law of the Republic of China and Test-Rite's Articles of Incorporation, 10% of Test-Rite's earnings, after paying tax and offsetting deficit, if any, shall first be appropriated as legal reserve. The remaining balance, if any, shall be distributed in the following order:

- 1) Bonus to directors and supervisors - 2%, and
- 2) Bonus to employees - at least 1% or more,
- 3) The remainder shall then be allocated in accordance with the resolution of the stockholders in their annual meeting.

The dividend policy of Test-Rite is as follows:

The dividend policy is designed for the Company to achieve its business plan and at the same time, maintain stockholders' benefits. Distribution is made through stock dividends, common stocks from capital surplus and cash dividends. Cash dividends shall not be less than 10% of total distribution. However, if cash dividends per share are less than \$0.1, stock dividends could be distributed instead of cash dividends.



The appropriations of earnings for 2012 and 2011 had been approved in the shareholders' meetings on June 17, 2013 and June 18, 2012, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended December 31</u>		<u>For the Year Ended December 31</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Legal reserve	\$ 68,954	\$ 61,051	\$ -	\$ -
Share dividends	-	145,327	-	0.30
Cash dividends	526,055	387,538	1.08	0.80

Bonuses to employees and remuneration to directors and supervisors for 2012 and 2011 approved in the shareholders' meetings on June 17, 2013 and June 18, 2012, respectively, were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2012</u>	<u>2011</u>
	<u>Cash Dividends</u>	<u>Cash Dividends</u>
Bonus to employees	\$ 49,647	\$ 43,956
Remuneration of directors and supervisors	12,412	10,989

For the years ended December 31, 2013 and 2012, the bonus to employees was \$5,260 thousand and \$49,200 thousand, respectively, and the remuneration to directors and supervisors was \$10,521 thousand and \$12,100 thousand, respectively. For the year ended December 31, 2013, the bonus to employees and remuneration to directors and supervisors represented 1% and 2%, respectively, of net income (net of bonus and remuneration). And for the year ended December 31, 2012, the bonus to employees and remuneration to directors and supervisors represented 8% and 2%, respectively, of net income (net of the bonus and remuneration). Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

The appropriations of 2013 earnings had been proposed by the board of directors on March 25, 2014. The proposed appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 55,789	\$ -
Cash dividends	502,088	1.00

The appropriations of 2013 earnings and the amounts of bonus to employees and remuneration to directors and supervisors will be resolved by the shareholders in their meeting scheduled for June 11, 2014.

The appropriations of earnings for 2012 were proposed according to the Company's financial statements for the year ended December 31, 2012, which were prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the Generally Accepted Accounting Standard in the Republic of China ("ROC GAAP"), and by reference to the balance sheet for the year ended December 31, 2012, which was prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards. Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

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.

As of January 1, 2012, the amount appropriated to special reserve from cumulative translation differences transferred to retained earnings at the date of first-time adoption of IFRSs was \$158,894 thousand. For the year ended December 31, 2012, the special reserve reversed on the disposal of the assets was \$148,098 thousand.

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

The Company's special reserves appropriated following first-time adoption of IFRSs were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Special reserve	<u>\$ 148,098</u>	<u>\$ -</u>	<u>\$ -</u>

e. Others equity items

1) Exchange differences on translating foreign operations

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.

2) Unrealized gains or losses on available-for-sale financial assets

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.

## 22. TREASURY SHARES

The changes in treasury shares for the years ended December 31, 2013 and 2012 were summarized as follows (in shares):

<b>Purpose</b>	<b>2013.1.1</b>	<b>Increase</b>	<b>Decrease</b>	<b>2013.12.31</b>
To transfer to employees	<u>34,868,000</u>	<u>-</u>	<u>-</u>	<u>34,868,000</u>
<b>Purpose</b>	<b>2012.1.1</b>	<b>Increase</b>	<b>Decrease</b>	<b>2012.12.31</b>
To transfer to employees	<u>20,698,000</u>	<u>14,170,000</u>	<u>-</u>	<u>34,868,000</u>

As of December 31, 2013 and 2012, the treasury shares of Test-Rite was both \$729,124 thousand, which was purchased back by Test-Rite.

Test-Rite should transfer all shares purchased back in lump sum or from time to time to employees, including those of subsidiaries in which Test-Rite holds directly or indirectly more than one half of the total number of voting shares, within three years from the buyback date.

According to the Stock Exchange Law of the ROC, the shares of treasury shares should not be over 10% of Test-Rite's issued and outstanding shares and the amount of treasury shares should not be over the total of retained earnings and realized additional paid-in capital. The highest number of shares of treasury shares that Test-Rite held as of December 31, 2013 was 34,868 thousand shares. The total amount was \$729,124 thousand pursuant to the law.

According to the Stock Exchange Law of the ROC, the treasury shares of Test-Rite should not be pledged and does not have the same right as the common stock.

## 23. INCOME TAX

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>
In respect of the current year	\$ 104,300	\$ 126,067
Adjustments to deferred tax	(5,498)	6
Income tax expense of unappropriated earnings	9,500	1,700
In respect of prior periods	(16,194)	(6,150)
Additional income tax under alternative minimum tax act	<u>-</u>	<u>410</u>
	<u>\$ 92,108</u>	<u>\$ 122,033</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Profit before tax		
Income tax expense calculated at the statutory rate	\$ 303,672	\$ 363,202
Decrease in tax resulting from other adjustments of permanent differences		
Tax-exempt income	(190,504)	(141,011)
Others	(14,366)	(96,118)
Additional income tax on unappropriated earnings	9,500	1,700
In respect of prior periods	(16,194)	(6,150)
Additional income tax under the Alternative Minimum Tax Act	<u>-</u>	<u>410</u>
Income tax expense recognized in profit or loss	<u>\$ 92,108</u>	<u>\$ 122,033</u>

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

- c. The information of Test-Rite about Imputation Credit (“IC”) on the undistributed earnings was summarized as follows:

	<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>\$ 557,887</u>	<u>\$ 663,161</u>	<u>\$ 1,426,309</u>
Imputation credits accounts	<u>\$ 506,515</u>	<u>\$ 464,111</u>	<u>\$ 425,559</u>

The creditable ratio for distribution of earnings of 2013 and 2012 was 20.48% (expected) and 20.48% (actual), 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.

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

- d. Income tax assessments

The income tax returns of Test-Rite for years through 2011 have been examined and approved by the tax authority. The tax authority assessed an additional income tax payable because Test-Rite did not obtain legal evidence for commission expenses and others which Test-Rite reported on its 2007 income tax returns. Test-Rite evaluated that it has reasons to make an appeal. Therefore, Test-Rite decided not to record the disputed tax payable on its book.

## 24. EARNINGS PER SHARE

For the years ended December 31, 2013 and 2012, the amounts of earnings per share were calculated as follows:

	2013						
	Amounts (Numerator)			Shares (Denominator) (In Thousands)	EPS (NT\$)		
	Income Before Tax Include Minority	Income After Tax Include Minority	Parent Co. Stockholders Income After Tax		Income Before Tax Include Minority	Income After Tax Include Minority	Parent Co. Stockholders Income After Tax
Basic earnings per share							
Net income to stockholders of common stock	\$ 732,722	\$ 640,614	\$ 635,139	487,087,558	<u>\$ 1.50</u>	<u>\$ 1.32</u>	<u>\$ 1.30</u>
The effects of dilutive potential ordinary shares							
Bonus to employees	-	-	-	1,264,906			
Diluted earnings per share							
Net income to stockholders of common stock and the effects of potential ordinary shares	<u>\$ 732,722</u>	<u>\$ 640,614</u>	<u>\$ 635,139</u>	<u>488,352,464</u>	<u>\$ 1.50</u>	<u>\$ 1.31</u>	<u>\$ 1.30</u>
	Amounts (Numerator)			Shares (Denominator) (In Thousands)	EPS (NT\$)		
Income Before Tax Include Minority	Income After Tax Include Minority	Parent Co. Stockholders Income After Tax	Income Before Tax Include Minority		Income After Tax Include Minority	Parent Co. Stockholders Income After Tax	
Basic earnings per share							
Net income to stockholders of common stock	\$ 686,727	\$ 564,694	\$ 509,214	493,689,891	<u>\$ 1.39</u>	<u>\$ 1.14</u>	<u>\$ 1.03</u>
The effects of dilutive potential ordinary shares							
Bonus to employees	-	-	-	3,355,414			
Diluted earnings per share							
Net income to stockholders of common stock and the effects of potential ordinary shares	<u>\$ 686,727</u>	<u>\$ 564,694</u>	<u>\$ 509,214</u>	<u>497,045,305</u>	<u>\$ 1.38</u>	<u>\$ 1.14</u>	<u>\$ 1.02</u>

If the Company offered to settle bonuses paid to employees in cash or shares, the Company assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year. Bonuses to employees shall be recognized as expense. Therefore, the weighted-average number of common shares outstanding in the calculation of basic and diluted EPS shall not be adjusted retroactively for the increase in common shares outstanding from stock issuance for employee's bonuses.

## 25. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred	
International Art Enterprise	Trading of leisure goods	January 30, 2013	100%	<u>\$ 107,109</u>

International Art Enterprise was acquired in order to continue the expansion of the Company's trading activities in leisure goods.

b. Considerations transferred

	<b>International Art Enterprise</b>
Cash	\$ 78,069
Contingent consideration arrangement	<u>29,040</u>
	<u>\$ 107,109</u>

Under the contingent consideration arrangement, the Company is required to pay the vendors an additional US\$1,000 thousand if International Art Enterprise's sales revenue in 2013 exceeds US\$24,000 thousand or gross profit in 2013 exceeds US\$3,240 thousand. The amount of US\$1,000 thousand represents the estimated fair value of this obligation at the acquisition date, which amounted to \$29,040 thousand approximately.

c. Assets acquired and liabilities assumed at the date of acquisition

	<b>Amount</b>
Cash	\$ 70,016
Trade receivables	45,371
Inventories	4
Other receivables	4
Prepayments	2,482
Other current assets	246
Other intangible assets	13,700
Goodwill	53,799
Other assets	1,919
Notes payable	(1,002)
Trade payables	(34,724)
Other payables	(44,557)
Other current liabilities	<u>(149)</u>
	<u>\$ 107,109</u>

d. Net cash outflow on acquisition of subsidiaries

	<b>For the Year Ended December 31, 2013</b>
Consideration paid in cash	\$ 78,069
Less: Cash and cash equivalent balances acquired	<u>(70,016)</u>
	<u>\$ 8,053</u>

## 26. DISPOSAL OF SUBSIDIARIES

Tong Lung Metal Industry Co., Ltd. was an entity included in the consolidated financial statements. In August 2012, the Company disposed of 68.27% interest in Tong Lung Metal Industry Co., Ltd. for proceeds of \$2,270,629 thousand and this transaction resulted in a gain of \$1,687 thousand. Tong Lung Metal Industry Co., Ltd. was not included in the consolidated financial statements anymore as of September 2012.

- a. In 2012, at the date of disposal of subsidiary - Tong Lung Metal Industry Co., Ltd., the fair value of the assets and liabilities are summarized as follows:

	<b>Amount</b>
Cash	\$ 160,986
Available-for-sale financial assets - current	1,863
Trade receivables	296,473
Inventories	568,547
Other current assets	86,430
Financial assets carried at cost - non-current	33,223
Property, plant and equipment	1,242,691
Goodwill	1,470,222
Other assets	163,346
Short-term borrowings	(357,265)
Short-term bills payable	(129,919)
Trade payables	(321,355)
Current portion of long-term borrowings	(339,543)
Other liabilities	(224,130)
Non-controlling interests	<u>(382,627)</u>
Total cost of disposal of Tong Lung Metal Industry Co., Ltd.	2,268,942
Less: Balance of cash from Tong Lung Metal Industry Co., Ltd.	(160,986)
Add: Gain on disposal of subsidiary	<u>1,687</u>
Cash from disposal of Tong Lung Metal Industry Co., Ltd.	<u>\$ 2,109,643</u>

- b. Gain on disposal of subsidiary

	<b>For the Year Ended December 31, 2012</b>
Consideration received	\$ 2,270,629
Net assets disposed of	<u>(2,268,942)</u>
Gain on disposal	<u>\$ 1,687</u>

c. Net cash inflow on disposal of subsidiary

	<b>For the Year Ended December 31, 2012</b>
Consideration received in cash and cash equivalents	\$ 2,270,629
Less: Cash and cash equivalent balances disposed of	<u>(160,986)</u>
	<u>\$ 2,109,643</u>

## 27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On August 31, 2012, the Company paid total US\$13,899 thousand to related parties, Quality Master, Li-Heng Lee, Li-Shan Lee and Robin Ho to acquire 100% of interests in Upmaster and additional 10.53% of interests in TR US.

After these acquisitions, the Company increased both its interests of ownership in TR US and TR PRODUCTS to 100%. The Company acquired entire non-controlling interests of TR US and TR PRODUCTS, so the transactions were accounted for as equity transaction.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries.

	<b>TR US</b>
Cash consideration paid	\$ 416,136
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>341,697</u>
Differences arising from equity transaction	<u>\$ 757,833</u>

## 28. OPERATING LEASE

The agreement on lease of land, buildings and improvements which Test-Rite entered into with related party, Tsai Wang, required Test-Rite to pay guarantee deposit of \$125,000 thousand, which was recorded under "refundable deposits paid".

A list of rent expense for the next 4 years as of December 31, 2013 was as follows:

<b>Period</b>	<b>Amount</b>
2014	\$ 298,513
2015	307,468
2016	316,693
2017	<u>326,193</u>
	<u>\$ 1,248,867</u>



The lease agreement which Test-Rite entered into with non-related parties required Test-Rite to collect guarantee deposit of \$60 thousand, which was recorded under “refundable deposits received.” A list of rent revenue for the next 4 years as of December 31, 2013 was as follows:

<b>Period</b>	<b>Amount</b>
2014	\$ 421,020
2015	244,881
2016	186,168
2017	<u>62,056</u>
	<u>\$ 914,125</u>

Hola Shanghai Retail & Trading entered into lease agreement for office premises with non-related parties. A list of rent expense for the next 5 years including the present value of rentals from 2019 to 2028 as of December 31, 2013 was as follows:

<b>Period</b>	<b>Amount</b>
2014	\$ 584,144
2015	575,559
2016	542,646
2017	517,600
2018	512,403
2019-2023 (present value \$954,990 thousand)	1,137,867
2024-2028 (present value \$228,173 thousand)	<u>321,045</u>
	<u>\$ 4,191,264</u>

Test-Rite Retail’s lease agreement for office premises with non-related parties required Test-Rite Retail to pay guarantee deposit of \$466,427 thousand, which was recorded under “refundable deposits paid”. A list of rent expense for the next 5 years including the present value from 2019 to 2038 as of December 31, 2013 was as follows:

<b>Period</b>	<b>Amount</b>
2014	\$ 959,891
2015	980,355
2016	759,203
2017	646,079
2018	578,804
2019-2023 (present value \$2,367,441 thousand)	2,595,797
2024-2028 (present value \$370,645 thousand)	431,190
2029-2033 (present value \$135,278 thousand)	169,254
2034-2038 (present value \$78,156 thousand)	<u>104,932</u>
	<u>\$ 7,225,505</u>

## 29. PERSONNEL, DEPRECIATION, AND AMORTIZATION EXPENSES

Personnel, depreciation, and amortization expenses for the years ended December 31, 2013 and 2012 were summarized as follows:

Expense Item	Function	2013			2012		
		Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses							
Salaries		\$ 90,014	\$ 2,587,630	\$ 2,677,644	\$ 241,543	\$ 3,053,772	\$ 3,295,315
Labor insurance and health insurance		5,396	214,599	219,995	15,394	235,568	250,962
Pension cost		3,266	117,149	120,415	15,601	133,013	148,614
Others		2,417	267,680	270,097	12,528	262,197	274,725
Depreciation expenses		61,671	606,727	668,398	83,260	570,440	653,700
Amortization expenses		25	143,115	143,140	1,656	161,125	162,781

## 30. CAPITAL MANAGEMENT

The objective of the company's capital management is to ensure it has the necessary financial resource and operational plan so that it can cope with the next twelve months working capital requirements, capital expenditures and dividends spending.

## 31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between Test-Rite and its subsidiaries have been eliminated on consolidation. Details of transactions between the Company and other related parties are disclosed below.

### a. Operating transactions

	Rent Expense	
	Year Ended December 31	
	2013	2012
Others (Tsai Wang)	<u>\$ 291,531</u>	<u>\$ 280,692</u>
	Commission Expense	
	Year Ended December 31	
	2013	2012
Associates (TR Mexico)	<u>\$ -</u>	<u>\$ 2,979</u>

Outstanding balance in reporting date was as follows:

	Receivables From Related Parties		
	December 31, 2013	December 31, 2012	January 1, 2012
Associates (TR Mexico)	<u>\$ -</u>	<u>\$ 1,798</u>	<u>\$ 5,400</u>
	Accrued Commission Expense to Related Parties		
	December 31, 2013	December 31, 2012	January 1, 2012
Associates (TR Mexico)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,394</u>

	<b>Refundable Deposits Paid</b>		
	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Others (Tsai Wang)	<u>\$ 125,000</u>	<u>\$ 125,000</u>	<u>\$ 125,000</u>

The transaction conditions of related parties are almost the same as non-related parties.

b. Equity transaction

See Note 27.

c. Property lease

See Notes 14 and 28.

d. Endorsements or Guarantees

Endorsements or guarantees that Test-Rite provided to subsidiaries were summarized in Note 34.

As of December 31, 2013, short-term borrowings of \$512,794 thousand were guaranteed by others (Tony Ho and Judy Lee).

As of December 31, 2013, long-term borrowings of \$1,006,788 thousand was guaranteed by others (Tony Ho and Judy Lee) and long-term borrowings of \$3,198,500 thousand was guaranteed by others (Judy Lee).

e. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Short-term employee benefits	\$ 354,267	\$ 201,354
Post-employment benefits	<u>618</u>	<u>3,365</u>
	<u>\$ 354,885</u>	<u>\$ 204,719</u>

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

## 32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments,

1) Fair value of 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 or the fair values are not measured reliably.

2) Fair value measurements recognized in the consolidated balance sheets

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

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

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	<u>\$ 349,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 349,619</u>
Derivative financial assets	<u>\$ -</u>	<u>\$ 2,348</u>	<u>\$ -</u>	<u>\$ 2,348</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	<u>\$ 299,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,925</u>
Financial liabilities at FVTPL				
Non-derivative financial liabilities	<u>\$ 290</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290</u>
Derivatives financial liabilities	<u>\$ -</u>	<u>\$ 20,795</u>	<u>\$ -</u>	<u>\$ 20,795</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	<u>\$ 99,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,447</u>
Derivative financial assets	<u>\$ -</u>	<u>\$ 150,289</u>	<u>\$ -</u>	<u>\$ 150,289</u>
Financial liabilities at FVTPL				
Non-derivative financial liabilities	<u>\$ 20,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,440</u>
Derivatives financial liabilities	<u>\$ -</u>	<u>\$ 13,315</u>	<u>\$ -</u>	<u>\$ 13,315</u>

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

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

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

- 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. 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 foreign currency forward contracts of derivative instruments were calculated using forward exchange swap rate and discount rate published by financial organization and the forward exchange rates on maturity date of specific contract, respectively. Discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.
- The fair values of other financial assets and financial liabilities (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

**Fair Value of Financial Instruments**

The fair value of non-derivative financial instruments as of December 31, 2013, December 31, 2012 and January 1, 2012 was summarized as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,418,439	\$ 1,881,727	\$ 2,093,773
Financial assets at fair value through profit or loss - current	351,967	299,925	249,736
Notes receivable, trade receivables and other receivables	3,215,059	2,777,770	3,302,727
Prepayments	563,633	547,474	915,460
Other current assets	262	599	613
Available-for-sale financial assets	-	-	32,591
Financial assets measured at cost	71,823	73,709	109,989
Debt investments with no active market	<u>216,123</u>	<u>50,000</u>	<u>52,000</u>
	<u>\$ 6,837,306</u>	<u>\$ 5,631,204</u>	<u>\$ 6,756,889</u>
<b>Liabilities</b>			
Short-term borrowings	\$ 2,256,663	\$ 1,764,129	\$ 3,397,071
Short-term bills payable	9,997	-	159,842
Financial liabilities at fair value through profit or loss - current	-	21,085	33,755
Notes payable, trade payables and other payables	7,298,201	6,696,098	6,355,029
Liability component of preferred stocks, current	-	-	335,361
Advance receipts	603,381	604,073	655,472
Long-term borrowings (Note)	<u>5,527,615</u>	<u>5,213,197</u>	<u>7,150,590</u>
	<u>\$ 15,695,857</u>	<u>\$ 14,298,582</u>	<u>\$ 18,087,120</u>

Note: The balance included short-term portion of long-term borrowings.

## Financial Risk Management Objectives and Policies

The Company's major financial instruments include equity and debt investments, borrowings, trade receivables and trade payables. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the company's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments for speculative purposes.

### a. Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates. The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on the export.

There had 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. 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 (see Note 35).

	Currency USD Impact		Currency EUR Impact		Currency GBP Impact		Currency RMB Impact	
	For the Year Ended		For the Year Ended		For the Year Ended		For the Year Ended	
	December 31		December 31		December 31		December 31	
	2013	2012	2013	2012	2013	2012	2013	2012
Equity	\$ (305,304)	\$ (64,851)	\$ (6,853)	\$ (2,861)	\$ 1,965	\$ 1,781	\$ (110,345)	\$ (129,589)

The sensitivity analysis included only outstanding foreign currency denominated monetary items, and the effect on profit and loss by their translation at the end of the reporting period for a 10% change in foreign currency rates.

#### 2) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at floating interest rates. The risk is managed by the Company by maintaining floating rate borrowings, and using Company forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The Company's interest rate risk arises primarily from fixed revenue investment and floating interest rate borrowings.

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	\$ 287,658	\$ 97,572	\$ 25,298
Financial liabilities	7,794,275	6,977,326	10,707,503

The sensitivity analyses were calculated by a change in fair value of the fixed interest rates financial assets and liabilities at the end of the reporting period.

If interest rates at end of the reporting period were higher by 1% and all other variables were held constant, the Company's cash outflow for the years ended December 31, 2013 and 2012 would have been higher by \$75,066 thousand and \$68,798 thousand.

b. Credit risk

Credit risk refers to the risk that 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 direct against the counterparties which deal with materially to providing sufficient collateral or other right pledged, so that it could minimize credit risk effectively. Management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

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

The Company did transactions with a large number of customers among different industries and geography area. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

3) Liquidity risk

The Company manages and contains sufficient working capital to support the operations so there is no liquidity risk of shortage of funds by the maturity date of implementing obligation to the contracts, reduce the impact on fluctuation of cash flow.

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

	<b>December 31, 2013</b>			
	<b>1 Year</b>	<b>1-3 Years</b>	<b>3+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 7,298,201	\$ -	\$ 197,999	\$ 7,496,200
Variable interest rate liabilities	<u>2,566,660</u>	<u>-</u>	<u>5,227,615</u>	<u>7,794,275</u>
	<u>\$ 9,864,861</u>	<u>\$ -</u>	<u>\$ 5,425,614</u>	<u>\$ 15,290,475</u>
	<b>December 31, 2012</b>			
	<b>1 Year</b>	<b>1-3 Years</b>	<b>3+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 6,696,098	\$ -	\$ 180,471	\$ 6,876,569
Variable interest rate liabilities	<u>1,964,129</u>	<u>-</u>	<u>5,013,197</u>	<u>6,977,326</u>
	<u>\$ 8,660,227</u>	<u>\$ -</u>	<u>\$ 5,193,668</u>	<u>\$ 13,853,895</u>
	<b>January 1, 2012</b>			
	<b>1 Year</b>	<b>1-3 Years</b>	<b>3+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 6,355,029	\$ -	\$ 157,853	\$ 6,512,882
Variable interest rate liabilities	<u>3,556,913</u>	<u>-</u>	<u>7,150,590</u>	<u>10,707,503</u>
	<u>\$ 9,911,942</u>	<u>\$ -</u>	<u>\$ 7,308,443</u>	<u>\$ 17,220,385</u>

### 33. PLEDGED ASSETS

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Time deposits (see Notes 6 and 10)	\$ 215,101	\$ 13,134	\$ 27,275
Land (see Note 14)	-	-	247,665
Buildings and improvements (see Note 14)	<u>-</u>	<u>-</u>	<u>156,116</u>
	<u>\$ 215,101</u>	<u>\$ 13,134</u>	<u>\$ 431,056</u>

### 34. COMMITMENTS AND CONTINGENCIES

#### Letter of Credit

Test-Rite's and Test-Rite Retail's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2013 were US\$127 thousand and EUR173 thousand.



Test-Rite's and Test-Rite Retail's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2012 were US\$372 thousand and EUR73 thousand.

Test-Rite's and Test-Rite Retail's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2011 were US\$2,896 thousand, EUR22 thousand and NT\$1,300 thousand.

Endorsements/guarantees provided: As of December 31, 2013, December 31, 2012 and January 1, 2012, endorsements or guarantees that the Company provided to its business related legal entities and subsidiaries were summarized as follows:

	December 31, 2013		December 31, 2012		January 1, 2012	
Standby letters of credit						
Test-Rite Business Development	US\$	3,000	US\$	3,000	US\$	3,000
TR Products	US\$	-	US\$	9,000	US\$	1,375
Energy Retailing	US\$	-	US\$	2,000	US\$	2,500
Hola Shanghai Retail & Trading Ltd.	US\$	-	US\$	1,000	US\$	3,000
Hola Shanghai Retail & Trading	US\$	-	US\$	-	US\$	8,000
Endorsements						
TR Products	US\$	29,074	US\$	18,103	US\$	20,699
TR Trading & TR Retailing	US\$	17,500	US\$	12,500	US\$	17,500
Hola Shanghai Retail & Trading	US\$	8,500	US\$	8,500	US\$	13,500
Test-Rite Business Development	US\$	5,000	US\$	5,000	US\$	5,000
TR Pte.	US\$	2,000	US\$	2,000	US\$	-
TR GI	EUR	1,000	EUR	1,000	EUR	1,000
TR Thailand	US\$	-	US\$	400	US\$	400
TR Canada	CAD	60	CAD	60	CAD	30

As of December 31, 2013, December 31, 2012 and January 1, 2012 Test-Rite Retail has import duty relief on temporary admission, coupon execution guarantee and CPC Corporation guarantee rendered by banks for approximately \$119,679 thousand, \$86,850 thousand and \$102,554 thousand.

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

The information of significant foreign-currency financial assets and liabilities as of December 31, 2013, December 31, 2012 and January 1, 2012 was summarized as follows:

(Unit: Foreign Currencies/New Taiwan Dollars in Thousands)

	December 31, 2013			December 31, 2012			January 1, 2012		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>									
Monetary items									
USD	\$ 86,373	29.95	\$ 2,586,871	\$ 47,488	29.136	\$ 1,383,610	\$ 87,077	30.29	\$ 2,637,562
EUR	2,072	41.1562	85,276	1,481	38.4025	56,874	1,821	39.16	71,310
GBP	398	49.3743	19,651	381	46.7544	17,813	556	46.7035	25,967
RMB	196,335	4.9355	969,011	275,880	4.6597	1,285,518	223,300	4.806	1,073,180
Nonmonetary items									
USD	10,000	29.95	299,500	175,900	29.136	5,125,022	167,500	30.29	5,073,575
EUR	100	41.1562	4,116	3,282	38.4025	126,037	5,957	39.16	233,276
<u>Financial liabilities</u>									
Monetary items									
USD	188,311	29.95	5,639,914	69,746	29.136	2,032,119	136,174	30.29	4,124,710
EUR	3,737	41.1562	153,801	2,226	38.4025	85,484	615	39.16	24,083
RMB	419,909	4.9355	2,072,461	553,986	4.6597	2,581,409	666,486	4.806	3,203,132
Nonmonetary items									
USD	23,000	29.95	688,850	169,900	29.136	4,950,206	144,000	30.29	4,361,760

### 36. OPERATING SEGMENT FINANCIAL INFORMATION

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

- A Segment - retail segment
- B Segment - trading segment
- C Segment - manufacturing segment
- D Segment - construction segment

#### Segment Revenue and Results

The analysis of the Company's revenue and results from continuing operations by reportable segment for the years ended December 31, 2013 and 2012 was as follows:

	2013					Total
	A Segment	B Segment	C Segment	D Segment	Adjustment and Elimination	
Operating revenue	\$ 21,254,030	\$ 19,027,948	\$ -	\$ 1,918,553	\$ (6,996,667)	\$ 35,203,864
Operating costs	<u>(13,545,656)</u>	<u>(15,143,310)</u>	<u>-</u>	<u>(1,687,902)</u>	<u>5,783,338</u>	<u>(24,593,530)</u>
Gross profit	7,708,374	3,884,638	-	230,651	(1,213,329)	10,610,334
Operating expenses	<u>(7,114,645)</u>	<u>(3,859,919)</u>	<u>-</u>	<u>(125,244)</u>	<u>1,266,212</u>	<u>(9,833,596)</u>
Profit from operations	<u>\$ 593,729</u>	<u>\$ 24,719</u>	<u>\$ -</u>	<u>\$ 105,407</u>	<u>\$ 52,883</u>	776,738
Nonoperating income and expenses						<u>(44,016)</u>
Profit before income tax						<u>\$ 732,722</u>

  

	2012					Total
	A Segment	B Segment	C Segment	D Segment	Adjustment and Elimination	
Operating revenue	\$ 20,370,405	\$ 18,933,498	\$ 2,062,048	\$ 1,601,462	\$ (7,715,271)	\$ 35,252,142
Operating costs	<u>(13,203,261)</u>	<u>(15,051,588)</u>	<u>(1,651,115)</u>	<u>(1,362,391)</u>	<u>6,419,374</u>	<u>(24,848,981)</u>
Gross profit	7,167,144	3,881,910	410,933	239,071	(1,295,897)	10,403,161
Operating expenses	<u>(6,676,706)</u>	<u>(3,922,081)</u>	<u>(248,082)</u>	<u>(151,738)</u>	<u>1,315,763</u>	<u>(9,682,844)</u>
Profit from operations	<u>\$ 490,438</u>	<u>\$ (40,171)</u>	<u>\$ 162,851</u>	<u>\$ 87,333</u>	<u>\$ 19,866</u>	720,317
Nonoperating income and expenses						<u>(33,590)</u>
Profit before income tax						<u>\$ 686,727</u>

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2013 and 2012.

#### Segment Assets and Liabilities

The analysis of the Company's assets and liabilities by reportable segment as of December 31, 2013 and 2012 was as follows:

	2013					Total
	A Segment	B Segment	C Segment	D Segment	Adjustment and Elimination	
Assets	<u>\$ 8,407,033</u>	<u>\$ 16,406,444</u>	<u>\$ -</u>	<u>\$ 1,867,210</u>	<u>\$ (3,308,449)</u>	<u>\$ 23,372,238</u>
Liabilities	<u>\$ 8,407,033</u>	<u>\$ 9,573,665</u>	<u>\$ -</u>	<u>\$ 690,489</u>	<u>\$ (2,092,109)</u>	<u>\$ 16,579,078</u>

	2012					
	A Segment	B Segment	C Segment	D Segment	Adjustment and Elimination	Total
Assets	<u>\$ 9,642,569</u>	<u>\$ 14,477,297</u>	<u>\$ -</u>	<u>\$ 1,531,943</u>	<u>\$ (3,754,234)</u>	<u>\$ 21,897,575</u>
Liabilities	<u>\$ 6,439,169</u>	<u>\$ 9,856,335</u>	<u>\$ -</u>	<u>\$ 1,544,549</u>	<u>\$ (2,591,347)</u>	<u>\$ 15,248,706</u>

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2013 and 2012.

### Geographical Information

The Company operates in two principal geographical areas - Asia and America. The Company's revenue from continuing operations from external customers and information about its noncurrent assets by geographical location were detailed below:

	Revenue from External Customers		Noncurrent Assets	
	Year Ended December 31		Year Ended December 31	
	2013	2012	2013	2012
Asia	\$ 30,501,624	\$ 30,432,580	\$ 10,332,024	\$ 12,155,322
America	4,195,312	4,451,594	-	-
Europe	468,401	336,770	-	-
Australia and others	<u>38,527</u>	<u>31,198</u>	<u>-</u>	<u>-</u>
	<u>\$ 35,203,864</u>	<u>\$ 35,252,142</u>	<u>\$ 10,332,024</u>	<u>\$ 12,155,322</u>

Noncurrent assets excluded those classified as financial instruments, deferred pension cost and deferred income tax assets.

### Major Customer

No individual customer accounted for at least 10% of consolidated revenue in 2013 and 2012.

## 37. 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's not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

b. Impact on the transition to IFRSs

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

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

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		Explanation
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	
Current assets					Current assets	
Cash and cash equivalents	\$ 2,095,773	\$ -	\$ (2,000)	\$ 2,093,773	Cash and cash equivalents	5) g)
Financial assets at fair value through profit or loss - current	249,736	-	-	249,736	Financial assets at fair value through profit or loss - current	
Available-for-sale financial assets - current	2,141	-	-	2,141	Available-for-sale financial assets - current	
Debt investments with no active market - current	-	-	2,000	2,000	Debt investments with no active market - current	5) g)
Notes receivable	39,343	-	-	39,343	Notes receivable	
Trade receivables	2,922,471	-	30,090	2,952,561	Trade receivables	5) d)
Other receivables	310,823	-	-	310,823	Other receivables	
Other current financial assets	613	-	-	613	Other current financial assets	
Inventories	5,928,469	-	-	5,928,469	Inventories	
Prepayments	915,460	-	-	915,460	Prepayments	
Other current assets	260,980	-	(28,712)	232,268	Other current assets	5) a)
Total current assets	12,725,809	-	1,378	12,727,187	Total current assets	
Fund and investment					Non-current assets	
Long-term equity investments at equity method	1	-	-	1	Investments accounted for using equity method	
Available-for-sale financial assets - non-current	30,450	-	-	30,450	Available-for-sale financial assets - non-current	
Financial assets carried at cost - non-current	109,989	-	-	109,989	Financial assets measured at cost - non-current	
Debt investments with no active market - non-current	50,000	-	-	50,000	Debt investments with no active market - non-current	
Total long-term investments	190,440	-	-	190,440	Total long-term investments	
Property, plant and equipment, net	7,709,067	34,855	-	7,743,922	Property, plant and equipment	4) e)
Intangible assets						
Computer software cost	209,675	-	-	209,675	Computer software	
Goodwill	3,647,854	-	-	3,647,854	Goodwill	
Deferred pension cost	19,692	(19,692)	-	-	Deferred pension cost	5) c)
Total intangible assets	3,877,221	(19,692)	-	3,857,529	Total intangible assets	
Other assets						
Refundable deposits paid	833,364	-	-	833,364	Refundable deposits paid	
Deferred income tax assets - non-current	1,002,504	-	28,712	1,031,216	Deferred tax assets	5) a)
Other assets - other	1,224,003	-	-	1,224,003	Other assets	
Total other assets	3,059,871	-	28,712	3,088,583	Total other assets	
Total non-current assets				14,880,474	Total non-current assets	
Total assets	\$ 27,562,408	\$ 15,163	\$ 30,090	\$ 27,607,661	Total	
Current liabilities					Current liabilities	
Short-term borrowings	\$ 3,397,071	\$ -	\$ -	\$ 3,397,071	Short-term borrowings	
Short-term bills payable	159,842	-	-	159,842	Short-term bills payable	
Financial liabilities at fair value through profit or loss - current	33,755	-	-	33,755	Financial liabilities at fair value through profit or loss - current	
Notes payable	21,100	-	-	21,100	Notes payable	
Accounts payable	4,450,756	-	-	4,450,756	Trade payables	
Income tax payable	180,359	-	-	180,359	Current tax liabilities	
Other payables	1,860,066	23,107	-	1,883,173	Other payables	5) b)
Liability component of preferred stocks - current	335,361	-	-	335,361	Liability component of preferred stocks - current	
Advance receipts	457,602	197,870	-	655,472	Advance receipts	5) f)
Other current liabilities	582,137	(184,789)	18,090	415,438	Other current liabilities	5) a), 5) d), 5) e)
Total current liabilities	11,478,049	36,188	18,090	11,532,327	Total current liabilities	
Long-term liabilities					Non-current liabilities	
Long-term borrowings	7,150,590	-	-	7,150,590	Long-term borrowings	
Estimated land value increment tax payable	41,791	-	(41,791)	-	Estimated land value increment tax payable	5) h)
Other liabilities						
Accrued pension cost	291,829	114,936	-	406,765	Accrued pension liabilities	5) c)
Refundable deposits received	157,853	-	-	157,853	Refundable deposits received	
Deferred credit	1,173,942	(923,942)	-	250,000	Deferred credit	5) e)
Other liabilities - others	37,654	49,233	53,791	140,678	Other non-current liabilities	4) e), 5) a), 5) h)
Total other liabilities	1,661,278	(759,773)	53,791	955,396	Total other liabilities	
Total non-current liabilities				8,105,886	Total non-current liabilities	
Total liabilities	20,331,708	(723,585)	30,090	19,638,213	Total liabilities	
Equity attributable to stockholders of the parent					Stockholders' equity	
Capital					Capital	
Common stock	5,074,228	-	-	5,074,228	Common stock	
Capital surplus					Capital surplus	
Additional paid-in capital	689,395	-	-	689,395	Additional paid-in capital	
Treasury stock transactions	5,081	-	-	5,081	Treasury stock transactions	
Retained earnings					Retained earnings	
Legal reserve	744,159	-	-	744,159	Legal reserve	
Unappropriated earnings	610,508	815,801	-	1,426,309	Unappropriated earnings	4) b), 4) c), 4) d), 4) e), 5) b), 5) c), 5) e), 5) f)

(Continued)

R.O.C. GAAP	Effect of Transition to IFRSs			IFRSs		Explanation
	Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	
Others						
Cumulative translation adjustments	\$ 133,069	\$ (133,069)	\$ -	\$ -		Other equity Exchange differences on translating foreign operations 4) d)
Net loss not recognized as pension costs	(104,021)	104,021	-	-		5) c)
Unrealized holding gain on available-for-sale financial assets	1,682	-	-	1,682		Unrealized holding gain on available-for-sale financial assets
Unrealized revaluation increment	25,825	(25,825)	-	-		4) b)
Treasury shares	(437,139)	-	-	(437,139)		Treasury shares
Total equity attributable to stockholders of the parent	6,742,787	760,928	-	7,503,715		Total equity attributable to owners of the Company
Minority interest	487,913	(22,180)	-	465,733		Non-controlling interests
Total stockholders' equity	7,230,700	738,748	-	7,969,448		Total equity
Total liabilities and stockholders' equity	\$ 27,562,408	\$ 15,163	\$ 30,090	\$ 27,607,661		Total

(Concluded)

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

R.O.C. GAAP	Effect of Transition to IFRSs			IFRSs		Explanation
	Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	
Current assets						Current assets
Cash and cash equivalents	\$ 1,881,727	\$ -	\$ -	\$ 1,881,727		Cash and cash equivalents 5) g)
Financial assets at fair value through profit or loss - current	299,925	-	-	299,925		Financial assets at fair value through profit or loss - current
Notes receivable	5,207	-	-	5,207		Notes receivable
Trade receivables	2,406,456	-	1,822	2,408,278		Trade receivables 5) d)
Other receivables	364,285	-	-	364,285		Other receivables 5) g)
Other current financial assets	599	-	-	599		Other current financial assets
Inventories	4,840,887	-	-	4,840,887		Inventories
Other prepayments	547,474	-	-	547,474		Prepayments
Other current assets	129,729	-	(38,635)	91,094		Other current assets 5) a)
Total current assets	10,476,289	-	(36,813)	10,439,476		Total current assets
Fund and investment						Non-current assets
Financial assets carried at cost - non-current	73,709	-	-	73,709		Financial assets measured at cost - non-current
Debt investments with no active market - non-current	50,000	-	-	50,000		Debt investments with no active market - non-current
Total long-term investments	123,709	-	-	-		
Property, plant and equipment, net	6,161,973	33,699	-	6,195,672		Property, plant and equipment 4) e)
Intangible assets						
Computer software cost	219,730	-	-	219,730		Computer software cost
Goodwill	2,880,444	(699,555)	-	2,180,889		Goodwill 5) i)
Deferred pension cost	376	(376)	-	-		5) c)
Other intangible assets	68,737	(68,737)	-	-		Other intangible assets 5) i)
Total intangible assets	3,169,287	(768,668)	-	-		
Other assets						
Refundable deposits paid	841,804	-	-	841,804		Refundable deposits paid
Deferred income tax assets - non-current	1,028,117	-	38,635	1,066,752		Deferred tax assets 5) a)
Other assets - other	829,543	-	-	829,543		Other non-current assets
Total other assets	2,699,464	-	38,635	-		
Total non-current assets				11,458,099		Total non-current assets
Total assets	\$ 22,630,722	\$ (734,969)	\$ 1,822	\$ 21,897,575		Total
Current liabilities						Current liabilities
Short-term borrowings	\$ 1,764,129	\$ -	\$ -	\$ 1,764,129		Short-term borrowings
Financial liabilities at fair value through profit or loss - current	21,085	-	-	21,085		Financial liabilities at fair value through profit or loss - current
Notes payable	18,372	-	-	18,372		Notes payable
Accounts payable	4,512,979	-	-	4,512,979		Trade payables
Income tax payable	134,184	-	-	134,184		Current tax liabilities
Other payables	2,147,951	16,796	-	2,164,747		Other payables 5) b)
Advance receipts	411,071	193,002	-	604,073		Advance receipts 5) f)
Current portion of long-term borrowings	200,000	-	-	200,000		Current portion of long-term borrowings
Other current liabilities	405,890	(184,789)	1,822	222,923		Other current liabilities 5) a), 5) d), 5) e)
Total current liabilities	9,615,661	25,009	1,822	9,642,492		Total current liabilities
Long-term liabilities						Non-current liabilities
Long-term borrowings	5,013,197	-	-	5,013,197		Long-term borrowings
Other liabilities						
Accrued pension cost	85,667	44,042	-	129,709		Accrued pension liabilities 5) c)
Refundable deposits received	180,471	-	-	180,471		Refundable deposits received
Deferred credit	939,153	(739,153)	-	200,000		Deferred credit 5) e)
Other liabilities - other	31,537	51,300	-	82,837		Other non-current liabilities 4) e), 5) a), 5) h)
Total other liabilities	1,236,828	(643,811)	-	-		
Total non-current liabilities				5,606,214		Total non-current liabilities
Total liabilities	15,865,686	(618,802)	1,822	15,248,706		Total liabilities

(Continued)

R.O.C. GAAP	Effect of Transition to IFRSs				IFRSs	Explanation
	Item	Amount	Recognition and Measurement Difference	Presentation Difference		
Stockholders' equity						Stockholders' equity
Capital						Capital
Common stock	\$ 5,219,555	\$ -	\$ -	\$ 5,219,555		Common stock
Capital surplus						Capital surplus
Additional paid-in capital	689,395	-	-	689,395		Additional paid-in capital
Treasury stock transactions	5,081	-	-	5,081		Treasury stock transactions
Retained earnings						Retained earnings
Legal reserve	805,210	-	-	805,210		Legal reserve
Unappropriated earnings	706,129	(42,968)	-	663,161		Unappropriated earnings
						4) b), 4) c), 4) d), 4) e), 5) b), 5) c), 5) e), 5) d), 5) i)
Others						Other equity
Cumulative translation adjustments	109,560	(133,069)	-	(23,509)		Cumulative translation adjustments
Net loss not recognized as pension costs	(59,870)	59,870	-	-		
Unrealized holding loss on available-for-sale financial asset	25	-	-	25		Unrealized holding loss on available-for-sale financial asset
Treasury shares	(729,124)	-	-	(729,124)		Treasury shares
Total equity attributable to stockholders of the parent	6,745,961	(116,167)	-	6,629,794		Total equity attributable to owners of the Company
Minority interest	19,075	-	-	19,075		Non-controlling interests
Total stockholders' equity	6,765,036	(116,167)	-	6,648,869		Total equity
Total liabilities and stockholders' equity	\$ 22,630,722	\$ (734,969)	\$ 1,822	\$ 21,897,575		Total

(Concluded)

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

R.O.C. GAAP	Effect of Transition to IFRSs				IFRSs	Explanation
	Item	Amount	Recognition and Measurement Difference	Presentation Difference		
Net operating revenue	\$ 35,247,274	\$ 4,868	\$ -	\$ 35,252,142		Operating revenue
Operating costs	24,664,192	184,789	-	24,848,981		Operating costs
Gross profit	10,583,082	(179,921)	-	10,403,161		Gross profit
Operating expenses	9,679,286	3,558	-	9,682,844		Operating expenses
						4) e), 5) b), 5) c)
Operating income	903,796	(183,479)	-	720,317		Profit from operations
Nonoperating income and gains						Nonoperating income and gains
Interest income	16,960	-	-	16,960		Interest income
Investment gain recognized under equity method	6,798	-	-	6,798		Share of profit of associates and joint ventures accounted for using equity method
Gain on disposal of property, plant and equipment	320	-	-	320		Gain on disposal of property, plant and equipment
Gain on sale of investments, net	48,482	-	-	48,482		Gain on sale of investments, net
Foreign exchange gain, net	194,698	-	-	194,698		Foreign exchange gain, net
Gain on valuation of financial liabilities	11,588	-	-	11,588		Net gain or loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss
Others	134,986	-	-	134,986		Other income
Total non-operating income	413,832	-	-	413,832		Total non-operating income
Nonoperating expenses and loss						Nonoperating expenses and loss
Interest expenses	193,299	2,067	-	195,366		Interest expense
Loss on disposal of property, plant, and equipment	5,621	-	-	5,621		Loss on disposal of property, plant, and equipment
Amortization of liability component of preferred stocks - non-current	5,229	-	-	5,229		Other expense
Dividends paid on liability component of preferred stocks - non-current	8,726	-	-	8,726		Other expense
Loss on valuation of financial assets	164,356	-	-	164,356		Net gain or loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss
Reverse split loss	1,717	-	-	1,717		Other expense
Others	66,407	-	-	66,407		Other expense
Total non-operating expenses	445,355	2,067	-	447,422		Total non-operating expenses
Provision for income tax	872,273	(185,546)	-	686,727		Profit before income tax
Income tax expense	(122,033)	-	-	(122,033)		Income tax expense
Total consolidated net income	\$ 750,240	\$ (185,546)	\$ -	564,494		Net profit for the year
				(41,749)		Exchange differences on translating foreign operations
				(6,823)		Actuarial gain and loss arising from defined benefit plans
				(1,605)		Unrealized loss on available-for-sale financial assets
				\$ 514,517		Total comprehensive income for the year

#### 4) Exemptions from IFRSs 1

IFRS 1, “First-time Adoption of International Financial Reporting Standards,” established the procedures for the preparation of the Company’s first consolidated financial statements in accordance with IFRSs. According to IFRS 1, the Company is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to IFRSs (January 1, 2012; the transition date); except for optional exemptions to such retrospective application provided under IFRSs 1. The main optional exemptions the Company adopted are summarized as follows:

##### a) Business combinations

The Company elected not to apply IFRS 3, “Business Combinations,” retrospectively to business combinations that occurred before the date of transition to IFRSs. Therefore, in the opening balance sheet, the amount of goodwill generated from past business combinations, related assets and liabilities adopted in business combinations, and noncontrolling interests remain the same compared with those under R.O.C. GAAP as of December 31, 2011. This optional exemption is also applicable to the investments in associates.

##### b) Fair value or revaluation amount as deemed cost

The Company revalued parts of its land in accordance with R.O.C. GAAP and used the revalued amount as the deemed cost at the date of transition to IFRS. The rest of the property, plant and equipment will be accounted in accordance with IFRSs using the cost model and relevant provisions will be applied retroactively.

The amount of unrealized revaluation increment reclassified to retained earnings on December 31, 2012 and January 1, 2012 was \$25,825 thousand.

##### c) Employee benefits

The Company reclassified all unrecognized accumulated actuarial profit and loss concerning employee benefits plan to retained earnings at the date of transition to IFRSs.

##### d) Cumulative translation differences

The Company elected to set to zero its cumulative translation adjustments in stockholders’ equity by reclassifying the amount to retained earnings at the date of transition to IFRS.

The Company adopted optional exemptions in accordance with IFRS and reclassified cumulative translation adjustments of \$133,069 thousand to retained earnings.

##### e) Property, plant and equipment costs included decommissioning liabilities

At the date of transition to IFRSs, the Company adopted IAS 37, “Provisions, contingent liabilities and contingent assets” which required to measure decommissioning liabilities, and the provision is included in liabilities and in the cost of the relevant assets. Related accumulated depreciation of the assets is adjusted at the date of transition to IFRSs.

As of December 31, 2012 and January 1, 2012, the amount of decommissioning liabilities of the Company amounted to \$51,300 thousand and \$49,233 thousand, respectively; recognized decommissioned assets amounted to \$33,699 thousand and \$34,855 thousand, respectively. For the year ended December 31, 2012, depreciation expense and interest expense increased by \$1,156 thousand and \$2,067 thousand, respectively.

f) Share-based payment

The Company elected to take the optional exemption from applying IFRS 2, "Share-based Payment," retrospectively for the share-based payment transactions granted and vested before January 1, 2012.

5) Notes to the reconciliation of the significant differences:

The Company-specific areas of material differences between the accounting policies under R.O.C. GAAP and the accounting policies to be adopted under IFRSs were as follows:

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

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

As of December 31, 2012 and January 1, 2012, the amounts reclassified from deferred income tax assets to noncurrent assets were \$38,635 thousand and \$28,712 thousand, deferred income tax liabilities to noncurrent liabilities were zero and \$12,000 thousand, respectively.

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

As of December 31, 2012 and January 1, 2012, the Company increased trade payables by \$16,796 thousand and \$23,107 thousand for short-term employee benefits. For the year ended December 31, 2012, the Company increased "operating expenses - general and administrative" by \$8,189 thousand.

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

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

As of December 31, 2012 and January 1, 2012, the Company performed the actuarial valuation under IAS No. 19, "Employee Benefits," and recognized the valuation difference directly to retained earnings under the requirement of IFRS 1; accrued pension cost was adjusted for an increase of \$44,042 thousand and \$114,936 thousand, respectively. Deferred pension cost was adjusted for a decrease of \$376 thousand and \$19,692 thousand, respectively. Net loss not recognized as pension costs was adjusted for an increase of \$59,870 thousand and \$104,021 thousand, respectively. Pension cost and actuarial losses of defined benefit for the year ended December 31, 2012 was also adjusted for a decrease of \$5,787 thousand and \$6,823 thousand, respectively.



- d) Under R.O.C. GAAP, provisions for estimated sales returns and others are recognized as a reduction in revenue in the period, the related revenue is recognized based on historical experience. Allowance for sales returns and others is recorded as a deduction in trade receivables. 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 (classified under current liabilities) in accordance with IAS No. 37, "Provisions, Contingent Liabilities and Contingent Assets."

As of December 31, 2012 and January 1, 2012, the amounts reclassified from allowance for sales returns and others to provisions were \$1,822 thousand and \$30,090 thousand, respectively.

- e) Under R.O.C. GAAP, when the nature of the lessee's sale and leaseback transaction is operating lease, the profit from the sale and leaseback is required to be recognized and deferred evenly during the lease term. The present value of total rental is compared to the fair value of sold asset; excess of present value of rental is immediately recognized as loss and excess of fair value is the deferred amount. Under IFRSs, if the sale price is fair value, the sale and leaseback should be recognized immediately to the profit or loss; sale price is higher than the fair value should be deferred and expect to be amortized over lease term.

As of December 31, 2012 and January 1, 2012, the Company adjusted to reduce unrealized gain in the amount of \$923,942 thousand and \$1,108,731 thousand, respectively. In addition, for the year ended December 31, 2012, the amortization increased the lease costs by \$184,789 thousand.

- f) Under R.O.C. GAAP, when the reward points are generated, the liabilities and marketing costs should be estimated and recognized. Under IFRSs, part of the sales revenue is reward point revenue; fair value of sales of goods and reward point is the basis in calculating the revenue; when the convertible obligation actually materialized or failed, the related award points should be recognized as revenue.

As of December 31, 2012 and January 1, 2012, deferred reward points revenues were \$193,002 thousand and \$197,870 thousand, respectively. For the year ended December 31, 2012, due to the realized convertible obligations, revenue was recognized for \$4,868 thousand.

- g) Under R.O.C. GAAP, the term "Cash and cash equivalents" 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 held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. 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 three months from the date of investment; therefore, they were reclassified from cash and cash equivalents to debt investments with no active market.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from cash and cash equivalents to other financial assets were zero and \$2,000 thousand, respectively.

- h) By the Guidelines Governing the Preparation of Financial Reports by Securities Issuers for land revaluation increment tax payable should be classified as long-term liabilities. According to IFRS, if an entity elected to use the revaluation amount of land as the deemed cost under its first-time adoption of IFRS, the related reserve for land revaluation increment tax must be reclassified into deferred income tax liabilities - land value increment tax.

As of December 31, 2012 and January 1, 2012, the amount of reserve for land revaluation increment tax reclassified to deferred income tax liabilities - non-current was zero and \$41,791 thousand, respectively.

- i) Under R.O.C. GAAP, the acquisition cost of investment is allocated to the assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition, the acquisition cost in excess of the fair value of the identifiable net assets acquired is recognized as other tangible assets and goodwill. Under IFRSs, 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, and the adjustment is debited to capital surplus, but if the capital surplus recognized from long-term investments is insufficient, the shortage is debited to retained earnings. As of December 31, 2012, retained earnings were adjusted for a decrease of \$768,292 thousand, other tangible assets were adjusted for a decrease of \$68,737 thousand and goodwill was adjusted for a decrease of \$699,555 thousand.