Shuttle Inc. and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

SHUTTLE INC.

By

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Chairman

March 25, 2014

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Shuttle Inc.

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

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

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

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	December 31, 2013		December 31, 2012		January 1, 2012	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	$ 1,474,228	17	$ 1,254,133	17	$ 1,540,143	24
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	-	-	5,874	-
Available-for-sale financial assets - current (Notes 4 and 8)	209,525	2	178,074	2	236,850	4
Notes receivable from unrelated parties (Notes 4, 5 and 9)	5,197	-	1,587	-	100	-
Trade receivables from unrelated parties (Notes 4, 5 and 9)	5,026,539	56	3,447,616	47	2,001,311	31
Other receivables (Notes 4 and 9)	35,850	-	13,690	-	29,282	1
Current tax assets (Notes 4 and 26)	11,877	-	33,645	1	314	-
Inventories (Notes 4, 5 and 10)	844,644	10	1,263,940	17	1,069,193	17
Prepayments (Note 11)	137,500	2	54,318	1	87,429	1
Other current assets (Note 18)	278,589	3	125,151	2	81,494	1
Total current assets	8,023,949	90	6,372,154	87	5,051,990	79
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Notes 4 and 8)	5,755	-	6,153	-	7,685	-
Financial assets measured at cost - non-current (Notes 4 and 12)	65,409	1	67,704	1	72,185	1
Investments accounted for using equity method (Notes 4 and 13)	-	-	6,773	-	-	-
Property, plant and equipment (Notes 4 and 14)	583,457	7	616,701	9	950,351	15
Investment properties (Notes 4 and 15)	81,261	1	81,607	1	81,953	1
Goodwill (Notes 4 and 16)	-	-	-	-	5,979	-
Other intangible assets (Notes 4 and 17)	17,258	-	17,584	-	21,459	1
Deferred tax assets (Notes 4 and 26)	123,587	1	108,522	2	122,958	2
Other non-current assets (Note 18)	19,712	-	21,791	-	54,084	1
Total non-current assets	896,439	10	926,835	13	1,316,654	21
TOTAL	$ 8,920,388	100	$ 7,298,989	100	$ 6,368,644	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 19)	$ 920,527	10	$ 511,127	7	$ 639,302	10
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	6,646	-	574	-	-	-
Trade payables to unrelated parties (Note 20)	2,840,031	32	2,398,368	33	1,591,499	25
Trade payables to related parties (Note 33)	-	-	-	-	706	-
Other payables (Note 21)	599,445	7	364,908	5	341,431	6
Current tax liabilities (Notes 4 and 26)	540	-	622	-	2,979	-
Provisions - current (Notes 4 and 22)	125,312	1	127,180	2	57,815	1
Advance receipts	78,234	1	32,140	1	82,502	1
Other current liabilities	15,745	-	23,832	-	14,927	-
Total current liabilities	4,586,480	51	3,458,751	48	2,731,161	43
NON-CURRENT LIABILITIES						
Deferred tax liabilities (Notes 4 and 26)	75,276	1	7,776	-	2,741	-
Accrued pension liabilities (Notes 4 and 23)	-	-	1,061	-	17,577	-
Other non-current liabilities	1,442	-	1,109	-	783	-
Total non-current liabilities	76,718	1	9,946	-	21,101	-
Total liabilities	4,663,198	52	3,468,697	48	2,752,262	43
EQUITY AT TRIBUTABLE TO OWNERS OF THE COMPANY						
Ordinary shares	3,503,603	39	3,401,313	47	3,521,583	55
Capital surplus	237,724	3	309,074	4	296,094	5
Retain earnings						
Legal reserve	32,952	-	1,126	-	-	-
Special reserve	215,275	3	10,136	-	-	-
Unappropriated earnings (or accumulated deficits)	465,258	5	305,911	4	(6,312)	-
Total retain earnings	713,485	8	317,173	4	(6,312)	-
Other equity	(154,960)	(2)	(204,955)	(3)	(89,284)	(1)
Treasury shares	(29,141)	-	-	-	(109,615)	(2)
Total equity attributable to owners of the Company	4,270,711	48	3,822,605	52	3,612,466	57
NON-CONTROLLING INTERESTS	(13,521)	-	7,687	-	3,916	-
Total equity	4,257,190	48	3,830,292	52	3,616,382	57
TOTAL	$ 8,920,388	100	$ 7,298,989	100	$ 6,368,644	100

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

(With Deloitte & Touche audit report dated March 25, 2014)

SHUTTLE INC. AND SUBSIDIARIES

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

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 33)				
Sales	$ 16,469,925	101	$ 14,391,615	102
Less: Sales returns and allowances	137,093	1	218,929	2
Net sales	16,332,832	100	14,172,686	100
OPERATING COSTS (Note 10)				
Cost of goods sold	14,351,484	88	12,567,865	89
GROSS PROFIT	1,981,348	12	1,604,821	11
OPERATING EXPENSES (Note 33)				
Selling and marketing expenses	728,027	4	628,074	4
General and administrative expenses	275,022	2	283,617	2
Research and development expenses	449,514	3	347,369	3
Total operating expenses	1,452,563	9	1,259,060	9
OTHER REVENUE AND EXPENSES (Note 25)	697	-	(14,187)	-
PROFIT FROM OPERATIONS	529,482	3	331,574	2
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 4)	4,661	-	6,272	-
Rental revenue	2,976	-	2,331	-
Dividend income	9,550	-	18,051	-
Other income	32,961	-	59,390	-
Share of the loss of associates accounted for using equity method (Note 4)	(1,055)	-	(160)	-
Gain (loss) on disposal of investment (Note 8)	(6,401)	-	38,808	-
Impairment loss (Notes 13 and 16)	(5,969)	-	(14,354)	-
Foreign exchange loss, net (Note 25)	(8,476)	-	(9,664)	-
Interest expense	(14,921)	-	(18,836)	-
Valuation loss on financial instruments at fair value through profit or loss (Note 4)	(6,646)	-	(574)	-
Other losses	(26,207)	-	(68,004)	-
Total non-operating income and expenses	(19,527)	-	13,260	-

(Continued)

SHUTTLE INC. AND SUBSIDIARIES

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

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	$ 509,955	3	$ 344,834	2
INCOME TAX EXPENSE (Note 26)	56,995	-	27,032	-
NET PROFIT FOR THE PERIOD	452,960	3	317,802	2
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	70,999	-	(55,431)	-
Unrealized gain (loss) on available-for-sale financial assets	6,894	-	(59,125)	(1)
Actuarial loss arising from defined benefit plan	2,625	-	(2,130)	-
Share of the other comprehensive income of associates accounted for using equity method	371	-	(562)	-
Other comprehensive income for the period, net of income tax	80,889	-	(117,248)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 533,849	3	$ 200,554	1
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	$ 474,978	3	$ 325,615	2
Non-controlling interests	(22,018)	-	(7,813)	-
	$ 452,960	3	$ 317,802	2
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	$ 555,057	3	$ 207,814	1
Non-controlling interests	(21,208)	-	(7,260)	-
	$ 533,849	3	$ 200,554	1
EARNINGS PER SHARE (Note 27)				
Basic	$ 1.38		$ 0.96	
Diluted	$ 1.37		$ 0.96	

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

(With Deloitte & Touche audit report dated March 25, 2014)

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

	Equity Attributable to Owners of the Company											
						Other Equity (Notes 24 and 28)						
	Share Capital (Notes 24 and 28)	Capital Surplus (Notes 24 and 28)	Legal Reserve	Special Reserve	Unappropriated Earnings (Notes 24 and 26)	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unearned Employee Benefit	Treasury Shares (Note 24)	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2012	$ 3,521,583	$ 296,094	$ -	$ -	$ (6,312)	$ -	$ (89,284)	$ -	$ (109,615)	$ 3,612,466	$ 3,916	$ 3,616,382
Appropriation of the 2011 earnings												
Legal reserve	-	-	1,126	-	(1,126)	-	-	-	-	-	-	-
Special reserve	-	-	-	10,136	(10,136)	-	-	-	-	-	-	-
	-	-	1,126	10,136	(11,262)	-	-	-	-	-	-	-
Increase in non-controlling interest	-	-	-	-	-	-	-	-	-	-	11,031	11,031
Change in capital surplus from investments in associates accounted for by using equity method	-	2,325	-	-	-	-	-	-	-	2,325	-	2,325
Retirement of treasury stock	(120,270)	10,655	-	-	-	-	-	-	109,615	-	-	-
Net profit for the year ended December 31, 2012	-	-	-	-	325,615	-	-	-	-	325,615	(7,813)	317,802
Other comprehensive income (loss) for the year ended December 31, 2012	-	-	-	-	(2,130)	(56,546)	(59,125)	-	-	(117,801)	553	(117,248)
Total comprehensive for the year ended December 31, 2012	-	-	-	-	323,485	(56,546)	(59,125)	-	-	207,814	(7,260)	200,554
BALANCE AT DECEMBER 31, 2012	3,401,313	309,074	1,126	10,136	305,911	(56,546)	(148,409)	-	-	3,822,605	7,687	3,830,292
Appropriation of the 2012 earnings												
Legal reserve	-	-	31,826	-	(31,826)	-	-	-	-	-	-	-
Special reserve	-	-	-	205,139	(205,139)	-	-	-	-	-	-	-
Cash dividends distributed by the Company - $0.239 per share	-	-	-	-	(81,291)	-	-	-	-	(81,291)	-	(81,291)
	-	-	31,826	205,139	(318,256)	-	-	-	-	(81,291)	-	(81,291)
Issue of cash dividends from capital surplus - $0.261 per share	-	(88,774)	-	-	-	-	-	-	-	(88,774)	-	(88,774)
Share-based payment arrangement	102,290	17,424	-	-	-	-	-	(27,459)	-	92,255	-	92,255
Net profit for the year ended December 31, 2013	-	-	-	-	474,978	-	-	-	-	474,978	(22,018)	452,960
Other comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	2,625	70,560	6,894	-	-	80,079	810	80,889
Total comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	477,603	70,560	6,894	-	-	555,057	(21,208)	533,849
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	(29,141)	(29,141)	-	(29,141)
BALANCE AT DECEMBER 31, 2013	$ 3,503,603	$ 237,724	$ 32,952	$ 215,275	$ 465,258	$ 14,014	$ (141,515)	$ (27,459)	$ (29,141)	$ 4,270,711	$ (13,521)	$ 4,257,190

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

(With Deloitte & Touche audit report dated March 25, 2014)

SHUTTLE INC. AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 509,955	$ 344,834
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	59,021	55,133
Amortization	126,886	92,832
Provision for (reversal of) doubtful accounts	20,265	(3,071)
Compensation expense	32,397	-
Valuation loss on financial assets and liabilities at fair value through profit or loss, net	6,646	574
Interest expenses	14,921	18,836
Interest income	(4,661)	(6,272)
Dividend income	(9,550)	(18,051)
Share of the loss of associates accounted for using equity method	1,055	160
Loss (gain) on disposal of property, plant and equipment	(697)	14,187
Loss (gain) on disposal of investment	6,401	(38,808)
Impairment loss	5,969	14,354
Provision for loss on inventory	165,142	76,660
Gain on foreign exchange	(1,454)	(1,446)
Changes in operating assets and liabilities:		
Financial assets held for trading	(574)	5,874
Notes receivable	(3,610)	(1,487)
Trade receivables	(1,599,416)	(1,442,945)
Other receivables	(22,018)	15,536
Inventories	254,154	(271,407)
Prepayment	(200,430)	(77,322)
Other current assets	(286,978)	(95,029)
Trade payable	443,736	807,880
Trade payables to related parties	-	(706)
Other payables	235,600	45,571
Advance receipts	46,094	(50,370)
Provisions	(3,856)	71,866
Other current liabilities	(8,087)	8,905
Accrued pension liabilities	(3,191)	(18,646)
Cash generated from operations	(216,280)	(452,358)
Interest paid	(14,921)	(18,768)
Income tax paid	(6,084)	(6,785)
Net cash used in operating activities	(237,285)	(477,911)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(73,041)	(76,749)
Proceeds from disposal of available-for-sale financial assets	42,481	116,740
Acquisition of investments accounted for using equity method	-	(7,495)
Proceeds from investees' capital reduction	2,295	2,700
Acquisition of property, plant and equipment	(25,117)	(58,995)

(Continued)

SHUTTLE INC. AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2013	**2012**
Proceeds from disposal of property, plant and equipment	$ 7,038	$ 317,262
Acquisition of intangible assets	(9,224)	(16,213)
Increase in goodwill	-	(6,703)
Decrease in other financial assets	173,540	33,707
Decrease in other noncurrent assets	2,080	32,293
Interest received	4,519	6,328
Cash dividends received	9,550	18,051
Net cash provided by investing activities	134,121	360,926
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	409,400	(128,175)
Increase in guarantee deposits	333	326
Return of subscription price of restricted shares	(7,182)	-
Cash dividends paid to owners of the Company	(81,291)	-
Proceeds from issue of ordinary shares	72,000	-
Payments for buy-back of ordinary shares	(29,141)	-
Increase in non-controlling interests	-	11,584
Cash distributed from additional paid-in capital	(88,774)	-
Net cash provided by (used in) financing activities	275,345	(116,265)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	47,914	(52,760)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	220,095	(286,010)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,254,133	1,540,143
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,474,228	$ 1,254,133

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

(With Deloitte & Touche audit report dated March 25, 2014) (Concluded)

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

1. ORGANIZATION AND OPERATIONS

Shuttle Inc. (the "Company", the Company and its subsidiaries are collectively referred to as the "Group") was incorporated in June 1983. The Company is engaged in manufacturing and selling laptops, barebones, mainboards, other computer peripherals, and in providing related technical services. The Company's shares were listed and traded on the Taiwan GreTai Securities Market (the "TGTSM") on December 8, 1998 until the shares became listed and traded on the Taiwan Stock Exchange (the "TWSE") since March 17, 2000.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 25, 2014.

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

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

The Group have not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) issued by the IASB. As of the date that the consolidated financial statements were authorized for issue, the Financial Supervisory Commission (the "FSC") has not announced the effective dates for the following new, amended and revised standards and interpretations (the "New IFRSs")./On January 28, 2014, the Financial Supervisory Commission (FSC) announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the consolidated financial statements were authorized for issue, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the "New IFRSs") included in the 2013 IFRSs version.

The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC	Effective Date Announced by IASB (Note 1)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010

(Continued)

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

(Concluded)

The New IFRSs Not Included in the 2013 IFRSs Version	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 "Financial Instruments"	Note 3
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	Note 3
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

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

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

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 initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

2) 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.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuingly assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and operating result, and will disclose the relevant impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Group's consolidated financial statements for the year ended December 31, 2013 are its first IFRS consolidated financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 40 for the impact of IFRS conversion on the Group's consolidated financial statements.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, or other regulations (please specify) and IFRSs as endorsed by the FSC.

b. Basis of preparation

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

The opening consolidated balance sheets as of the date of transition to IFRSs were prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". The applicable IFRSs have been applied retrospectively by the Group except for some aspects where IFRS 1 prohibits retrospective application or grants optional exemptions to this general principle. For the exemptions that the Group elected, refer to Note 40.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries, including special purpose entities).

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

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

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

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

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

2) Subsidiaries included in consolidated financial statements

			% of Ownership			
Investor	**Investee**	**Main Business**	**December 31, 2013**	**December 31, 2012**	**January 1, 2012**	**Remark**
Shuttle Inc. (Shuttle)	Holco (BVI) Inc.	Investments holding company	100.00	100.00	100.00	
	Shuttle Computer Incorporation (Shuttle Computer)	Selling and maintaining computer and its peripheral products	-	100.00	100.00	(a)
	Hong Yi Investment Co., Ltd. (Hong Yi)	Investment	100.00	100.00	100.00	
	Gold Fountain Limited	Investments holding company	100.00	100.00	100.00	
Holco (BVI) Inc.	Atron Mall, Inc. (Atron Mall)	Investments holding company	100.00	100.00	-	(b)
	Kaki Infotech (Shenzhen) Ltd. (Kaki)	Selling and maintaining computer and its peripheral products	75.00	75.00	60.00	(c)
	Shuttle International Inc. (S.C.A.)	Selling and maintaining computer and its peripheral products	100.00	100.00	100.00	
	Shuttle Computer (H.K.) Ltd., (S.H.K.)	Selling and maintaining computer and its peripheral products	100.00	100.00	100.00	
Gold Fountain Limited	Shuttle Computer Handels GmbH (S.C.H.)	Selling and maintaining computer and its peripheral products	100.00	100.00	100.00	
	Shuttle Computer Group Inc. (S.C.G.)	Selling and maintaining computer and its peripheral products	100.00	100.00	100.00	
	Japan Shuttle Co., Ltd. (S.C.J.)	Selling and maintaining computer and its peripheral products	100.00	100.00	100.00	
	Shuttle Commerce (Shenzhen) Ltd. (S.C.M.)	Selling and maintaining computer and its peripheral products	100.00	100.00	100.00	
	Shuttle Technology (Shenzhen) Ltd. (S.C.E.)	Selling and maintaining computer and its peripheral products	-	100.00	100.00	(a)
	Shuttle Information Technology (Sip) Ltd. (S.C.S.)	Selling and maintaining computer and its peripheral products	100.00	100.00	100.00	
	Shuttle Technology (Kunshan) Ltd. (S.C.Q.)	Selling and maintaining computer and its peripheral products	100.00	100.00	100.00	
	Shuttle International Brazil Informatica Ltda (S.C.B.)	Selling and maintaining computer and its peripheral products	100.00	100.00	-	(d)
Atron Mall, Inc. (Atron Mall)	Importadora Creative Vision Limitada (S.C.C.)	Selling and maintaining computer and its peripheral products	75.00	75.00	-	(b)

a) Shuttle Computer and Shuttle Technology (Shenzhen) Ltd. liquidated and returned all shares to Shuttle on March and September, 2013, respectively.

b) In April 2012, Holco (BVI) Inc. acquired 100% equity interest in Atron Mall and indirectly obtained 75% equity interest in S.C.C.

c) In October 2011, Holco (BVI) Inc. acquired 60% equity interest in KAKI. However, in March 2012, Holco (BVI) Inc. did not participate in capital increase of KAKI and resulted in a decrease of the percentage of ownership from 60% to 50%. In June 2012, Holco (BVI) Inc. increased its investment in KAKI and the percentage of ownership rose from 50% to 75%.

d) In March 2012, Gold Fountain Limited acquired 100% equity interest in S.C.B.

e. Foreign currencies

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

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

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

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

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

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

f. Inventories

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

g. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

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

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

h. Property, plant, and equipment

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

Freehold land is not depreciated.

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

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

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

j. Other 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 Group expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

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

k. 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 Group'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 attributed 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.

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, 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.

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.

m. Financial instruments

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

1) Financial assets

a) Measurement category

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

i. Financial assets at fair value through profit or loss

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

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

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables 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 dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

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

Available-for-sale equity investments that do not have a quoted market price in an active market are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including cash and cash equivalent, note receivables, trade receivables, other receivables, refundable deposits and other financial assets 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.

Cash equivalent includes time deposits and commercial papers 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.

b) Impairment of financial assets

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

For financial assets carried at amortized cost, such as cash and cash equivalent, note receivables, trade receivables, other receivables, refundable deposits and other financial assets, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90-150 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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 note receivables, trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible note receivables, trade receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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.

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

3) Derivative financial instruments

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

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

n. Provisions

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Group's obligation by the management of the Group.

o. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

1) Sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

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

2) Dividend and interest income

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

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

p. Leasing

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

q. Retirement benefit costs

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

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

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

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

r. Share-based payment arrangements

Restricted shares for employees are measured at fair value on the date of grant, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration, and should be returned, they are recognized as payables. Dividends paid to employees on the restricted shares that do not need to be returned if employees resign in the vesting period, are recognized as expenses when the dividends are declared with a corresponding adjustment in capital surplus - restricted shares for employees.

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

s. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of note receivable and trade receivables

   Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30-150 days, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

b. Write-down of inventory

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

c. Provisions

   The Group estimates the amount of provision for expected cost of warranty per month based on the number of units sold, the rate of return of units for maintenance after selling and the warranty expense in the past.

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 811	$ 1,321	$ 1,230
Checking accounts and demand deposits	1,243,373	913,854	761,134
Cash equivalents			
Time deposits with maturities of less than three months	230,044	327,606	766,114
Repurchase agreements collateralized by bonds	-	11,352	11,665
	$ 1,474,228	$ 1,254,133	$ 1,540,143

The market rate intervals of cash in bank, repurchase agreements collateralized by bonds and time deposits with maturities of less than three months at the end of the reporting period were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Demand deposits	0.01%-5.64%	0.01%-6.12%	0.01%-0.5%
Repurchase agreement collateralized by bonds	-	1.5%	1.5%
Time deposits with maturities of less than three months	0.30%-0.88%	0.20%-0.92%	0.42%-0.88%

Time deposits with maturities of more than three months on December 31, 2013, December 31, 2012 and January 1, 2012 were $258,181 thousand, $84,641 thousand and $50,934 thousand respectively, which were classified as other current assets (Note 18).

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held for trading			
Derivatives (not designated for hedge)			
Forward exchange contracts	$ -	$ -	$ 5,874
Financial liabilities held for trading			
Derivatives (not designated for hedge)			
Forward exchange contracts	$ 6,646	$ 574	$ -

The Company did not apply hedge accounting on the aforementioned contracts at the balance sheet date.

Forward exchange contracts as of balance sheet dates were as follows:

	Currency	Maturity Period	Contract Amount (In Thousands)
December 31, 2013			
Sell	EUR/NTD	2014.1.6-2014.5.19	EUR6,101/NTD242,848
Sell	JPY/NTD	2014.1.9-2014.6.3	JPY64,200/NTD18,911
December 31, 2012			
Sell	EUR/NTD	2013.1.4-2013.5.29	EUR3,343/NTD126,887
Sell	JPY/NTD	2013.1.7-2013.6.21	JPY51,400/NTD18,546
January 1, 2012			
Sell	EUR/NTD	2012.2.13-2012.3.26	EUR900/NTD37,112
Sell	EUR/USD	2012.2.1-2012.5.3	EUR2,400/USD3,235
Sell	JPY/USD	2012.2.16-2012.5.16	JPY60,000/USD782

The Company entered into derivative contracts during the years ended December 31, 2013 and 2012 to manage exposures due to exchange rate and interest rate fluctuations.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic investments			
Domestic listed stocks and emerging stocks	$ 196,602	$ 171,648	$ 231,605
Foreign investments			
Foreign listed stocks	18,678	12,579	12,930
	$ 215,280	$ 184,227	$ 244,535
Current	$ 209,525	$ 178,074	$ 236,850
Non-current	5,755	6,153	7,685
	$ 215,280	$ 184,227	$ 244,535

In February 2012, Techmosa International Inc. (Techmosa) was merged into WT Microelectronics Co., Ltd. (WT Microelectronics); therefore, the stock of Techmosa held by the Group has been converted into stock of WT Microelectronics. The Group has recognized gain on merger included in gain on sale of investment in the amount of $48,632 thousand for the year ended December 31, 2012.

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable	$ 5,197	$ 1,587	$ 100
Trade receivable	$ 5,063,865	$ 3,466,685	$ 2,023,604
Less: Allowance doubtful debts	(37,326)	(19,069)	(22,293)
	$ 5,026,539	$ 3,447,616	$ 2,001,311
Other receivables	$ 35,850	$ 13,690	$ 29,282

a. Notes receivable

The average credit terms range from 30 to 60 days from month end. When determining the collectability of notes receivable, the Company considered that if there is any change in the credit quality to the balance sheet date.

b. Trade receivable

The average credit terms range from 90 to 150 days from month end. Trade receivables are individually assessed for impairment and considered to be impaired when there is objective evidence of impairment. For trade receivable, the allowance for doubtful accounts is estimated based on historical uncollected receivables experience and the present financial position of the customer.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize any allowance for impairment loss, because there was no a significant change in credit quality and the amounts were still considered recoverable.

Movements of the allowance for doubtful accounts were as follows:

	For the Year Ended December 31	
	2013	2012
Balance, beginning of period	$ 19,069	$ 22,293
Add: Provision for doubtful accounts	20,265	9,542
Less: Impairment losses reversed	-	(12,613)
Amounts written off as uncollectible	(2,372)	-
Effect of exchange rate changes	364	(153)
Balance, end of period	$ 37,326	$ 19,069

c. Other receivables

Other receivables are individually assessed for impairment and considered to be impaired when there is objective evidence of impairment. As of December 31, 2013, there was no past due other receivables and the Group had not recognized allowance for impairment on other receivables.

10. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Finished goods	$ 315,077	$ 444,060	$ 294,373
Work in process	129,205	101,325	99,598
Raw materials	370,133	695,488	635,688
Merchandise	30,229	23,067	39,534
	$ 844,644	$ 1,263,940	$ 1,069,193

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2012, was $14,351,484 thousand and $12,567,865 thousand, respectively, which included $163,474 thousand and $74,382 thousand, respectively, loss on write-downs of inventories. Abandonment loss on inventories was $1,668 thousand and $2,278 thousand for the years ended December 31, 2013 and 2012, respectively. Gain and loss on physical inventory for the years ended December 31, 2013 and 2012 were loss of $104 thousand and $1,811 thousand, respectively.

11. PREPAYMENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Prepayment for purchase	$ 33,573	$ 2,204	$ 811
Prepaid expenses - mold template	76,616	29,619	36,594
Other prepaid expenses	27,311	22,495	50,024
	$ 137,500	$ 54,318	$ 87,429

12. FINANCIAL ASSETS MEASURED AT COST

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Domestic unquoted common shares	$ 48,005	$ 50,300	$ 54,781
Domestic emerging market stocks	17,404	17,404	17,404
	$ 65,409	$ 67,704	$ 72,185

The above stocks are classified as available-for-sale financial assets based on financial assets categories. Since the range of fair values measurement is significant and difficult to reasonably evaluate the possibilities of the estimations, the fair values of the investments cannot be reliably measured, thus the above stocks investment owned by the Company were carried at costs less any impairment losses at the balance sheet date.

The Group received from investee cash of $2,295 thousand and $2,700 thousand in 2013 and 2012, respectively, as return of capital.

For the year ended December 31, 2012, the Group assessed the difference between the asset's carrying amount and the present value of estimated future cash flows and recognized impairment loss of $1,781 thousand.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31, 2013	December 31, 2012	January 1, 2012
Investments in associates			
Shanghai Wiwin Information Technology Co., Ltd.	$ -	$ 6,773	$ -

For the year ended December 31, 2013, Shanghai Wiwin Information Technology Co., Ltd. made and impairment assessment and recognized impairment loss of $5,969 thousand classified as non-operating income and expenses.

For the year ended December 31, 2013, the subsidiaries assess the Shanghai Winwin Information Technology Co., Ltd. and recognized impairment loss of $5,969 thousand and was classified as non-operating income and expenses.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Shanghai Wiwin Information Technology Co., Ltd.	30%	30%	-

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

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$ 26,105	$ 23,038	$ -
Total liabilities	$ 5,869	$ 463	$ -

	For the Year Ended December 31	
	2013	2012
Revenue	$ 7,233	$ 1,201
Profit (loss) for the year	$ (1,343)	$ (533)

The investment accounted for by the equity method and the share of profit or loss and other comprehensive income of the investee were calculated based on the financial statements that have not been reviewed. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income even if the financial statements of Shanghai Wiwin were not reviewed.

14. PROPERTY, PLANT, AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Other Equipment	Total
Cost								
Balance at January 1, 2012	$ 448,810	$ 473,524	$ 125,746	$ 29,730	$ 31,651	$ 60,730	$ 34,079	$ 1,204,270
Additions	-	-	6,312	7,014	12,597	13,528	18,856	58,307
Disposal	(169,685)	(225,008)	(29,379)	-	(3,606)	-	(1,213)	(428,891)
Effect of foreign exchange differences	(108)	(347)	(2,026)	(316)	(194)	(2,757)	(2,232)	(7,980)
Balance at December 31, 2012	$ 279,017	$ 248,169	$ 100,653	$ 36,428	$ 40,448	$ 71,501	$ 49,490	$ 825,706
Accumulated depreciation and impairment								
Balance at January 1, 2012	$ -	$ 119,932	$ 75,220	$ 14,126	$ 19,500	$ 6,833	$ 18,308	$ 253,919
Depreciation expense	-	8,331	8,483	6,133	5,036	21,343	5,461	54,787
Disposal	-	(62,586)	(30,037)	-	(3,606)	-	(1,213)	(97,442)
Effect of foreign exchange differences	-	(206)	(375)	(134)	(334)	(771)	(439)	(2,259)
Balance at December 31, 2012	$ -	$ 65,471	$ 53,291	$ 20,125	$ 20,596	$ 27,405	$ 22,117	$ 209,005
Carrying amounts at January 1, 2012	$ 448,810	$ 353,592	$ 50,526	$ 15,604	$ 12,151	$ 53,897	$ 15,771	$ 950,351
Carrying amounts at December 31, 2012	$ 279,017	$ 182,698	$ 47,362	$ 16,303	$ 19,852	$ 44,096	$ 27,373	$ 616,701
Cost								
Balance at January 1, 2013	$ 279,017	$ 248,169	$ 100,653	$ 36,428	$ 40,448	$ 71,501	$ 49,490	$ 825,706
Additions	-	2,820	2,661	-	4,822	9,029	4,824	24,156
Disposal	-	-	(549)	(7,820)	(9,387)	-	(1,195)	(18,951)
Effect of foreign exchange differences	406	1,308	2,953	504	1,277	3,830	1,641	11,919
Balance at December 31, 2013	$ 279,423	$ 252,297	$ 105,718	$ 29,112	$ 37,160	$ 84,360	$ 54,760	$ 842,830
Accumulated depreciation and impairment								
Balance, January 1, 2013	$ -	$ 65,471	$ 53,291	$ 20,125	$ 20,596	$ 27,405	$ 22,117	$ 209,005
Depreciation expense	-	7,325	9,187	6,122	5,580	23,493	6,968	58,675
Disposal	-	-	(531)	(7,246)	(3,752)	-	(1,081)	(12,610)
Effect of foreign exchange differences	-	895	595	301	524	1,625	363	4,303
Balance at December 31, 2013	$ -	$ 73,691	$ 62,542	$ 19,302	$ 22,948	$ 52,523	$ 28,367	$ 259,373
Carrying amounts at December 31, 2013	$ 279,423	$ 178,606	$ 43,176	$ 9,810	$ 14,212	$ 31,837	$ 26,393	$ 583,457

Depreciation expense is computed using the straight-line method over the following estimated service lives:

Buildings	
Main building	35-60 years
Renovation engineering	3-10 years
Air conditioner equipment	2-8 years
Machinery and equipment	2-7 years
Transportation equipment	5-7 years
Miscellaneous equipment	2-5 years
Leasehold improvements	3-5 years
Other equipment	2-12 years

Refer to Note 34 for the carrying amount of property, plant and equipment pledged by the group to secure loan granted to the Group.

15. INVESTMENT PROPERTIES

	December 31, 2013	December 31, 2012	January 1, 2012
Land	$ 69,954	$ 69,954	$ 69,954
Buildings	11,307	11,653	11,999
	$ 81,261	$ 81,607	$ 81,953

	Land	Buildings
Cost		
Balance at January 1, 2012	$ 69,954	$ 19,315
Additions	-	-
Disposals	-	-
Balance at December 31, 2012	$ 69,954	$ 19,315
Balance at January 1, 2013	$ 69,954	$ 19,315
Additions	-	-
Disposals	-	-
Balance at December 31, 2013	$ 69,954	$ 19,315
Accumulated depreciation		
Balance at January 1, 2012		$ 7,316
Depreciation expenses		346
Balance at December 31, 2012		$ 7,662
Balance at January 1, 2013		$ 7,662
Depreciation expenses		346
Balance at December 31, 2013		$ 8,008

The investment properties held by the Group were depreciated over their estimated useful lives, using the straight-line method.

Buildings	
Main buildings	40 - 60 years
Renovation engineering	10 - 35 years
Air-conditioning	2 years

The fair value of the Group's investment properties as of December 31, 2013, December 31, 2012 and January 1, 2012 was $250,176 thousand, $255,456 thousand and $255,884 thousand, respectively. Management of the Group used the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's investment property was held under freehold interests. The carrying amount of investment properties pledged by the Group to secure loan to the Group were reflected in Note 34.

16. GOODWILL

In June 2012, Holco (BVI) Inc. increased its investment in KAKI and rose the percentage of ownership from 50% to 75%, and the Group recognized goodwill. During the year ended December 31, 2012, the Group assessed the recoverable amount of the goodwill of its investments in KAKI and recognized an impairment loss of $12,573 thousand of the goodwill, and was recognized as non-operating expenses.

17. OTHER INTANGIBLE ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Computer software	$ 17,258	$ 17,584	$ 21,459

	Computer Software
Cost	
Balance at January 1, 2012	$ 63,915
Additions	16,213
Effect of foreign currency exchange differences	(249)
Balance at December 31, 2012	$ 79,879
Balance at January 1, 2013	$ 79,879
Additions	9,224
Effect of foreign currency exchange differences	237
Balance at December 31, 2013	$ 89,340
Accumulated amortization	
Balance at January 1, 2012	$ 42,456
Amortization expense	20,031
Effect of foreign currency exchange differences	(192)
Balance at December 31, 2012	$ 62,295
Balance at January 1, 2013	$ 62,295
Amortization expense	9,638
Effect of foreign currency exchange differences	149
Balance at December 31, 2013	$ 72,082

The cost of computer software was amortized by the straight-line method over 2 to 3 years.

18. OTHER ASSETS - CURRENT AND NONCURRENT

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Other financial assets			
Time deposits with maturities of more than three months	$ 258,181	$ 84,641	$ 50,934
Refundable deposits	-	34,550	-
Other	20,408	5,960	30,560
	$ 278,589	$ 125,151	$ 81,494

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Non-current			
Refundable deposits	$ 19,662	$ 21,747	$ 41,802
Others prepayments	50	44	12,282
	$ 19,712	$ 21,791	$ 54,084

(Concluded)

The annual yield rates of time deposits with maturities of more than three months were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Time deposits with maturities of more than three months	0.30%-3.1%	0.20%-0.92%	1.40%

19. SHORT-TERM LOANS

	December 31, 2013	December 31, 2012	January 1, 2012
Usance letters of credit	$ 920,527	$ 511,127	$ 639,302

Annual interest rates were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Usance letters of credit	1.17%-2.01%	1.18%-1.55%	1.6%-2.35%

20. TRADE PAYABLE

	December 31, 2013	December 31, 2012	January 1, 2012
Trade payable - operating	$ 2,840,031	$ 2,398,368	$ 1,591,499

21. OTHER PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Accrued salary and compensation	$ 131,365	$ 137,778	$ 150,224
Payable for mold template	80,867	42,504	40,055
Payable for commission	69,569	19,749	7,407
Accrual bonuses to employees and remuneration to directors and supervisors	55,716	8,943	-
Advertising and promotion fees payable	39,558	32,581	21,513
Royalties Payable	38,162	14,787	17,399
Payables for insurance	12,977	14,304	6,687
Others	171,231	94,262	98,146
	$ 599,445	$ 364,908	$ 341,431

22. PROVISIONS

	December 31, 2013	December 31, 2012	January 1, 2012
Warranties	$ 125,312	$ 127,180	$ 57,815

	Warranties
Balance at January 1, 2012	$ 57,815
Additional provisions recognized	107,077
Usage	(35,211)
Effect of foreign currency exchange differences	(2,501)
Balance at December 31, 2012	127,180
Additional provisions recognized	112,148
Usage	(116,004)
Effect of foreign currency exchange differences	1,988
Balance at December 31, 2013	$ 125,312

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local legislation on sale of goods. The estimate had been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group's subsidiary in are members of a state-managed retirement benefit plan operated by the government of China and Japan. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

S.C.G. and S.C.A. make monthly contributions at a prescribed percentage of salaries to personal investment accounts pursuant to the U.S. IRC 401 (K) plan. S.C.C. has no pension plan. There was no qualified employee under the plans in Holco (BVI) Inc., Gold Fountain Limited, Hong Yi, S.H.K., S.C.B., and Atron Mall.

b. Defined benefit plans

The Company of the Group adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

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

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

	December 31, 2013	December 31, 2012	January 1, 2012
Discount rate(s)	2.00%	1.375%	1.50%
Expected return on plan assets	2.00%	1.875%	2.00%
Expected rate(s) of salary increase	2.75%	2.500%	2.25%

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

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

	For the Year Ended December 31	
	2013	2012
Current service cost	$ 690	$ 1,201
Interest cost	26	442
Expected return on plan assets	(16)	(290)
Gains arising from curtailment or settlement	-	(14,027)
	$ 700	$ (12,674)
An analysis by function		
Operating cost	$ 65	$ -
Marketing expenses	128	(2,364)
Administration expenses	109	(2,966)
Research and development expenses	398	(7,344)
	$ 700	$ (12,674)

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012 was gain $2,625 thousand and loss $2,130 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2013 and 2012 was gain $495 thousand and loss $2,130 thousand, respectively.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded defined benefit obligation	$ 24	$ 1,906	$ 29,447
Fair value of plan assets	(973)	(845)	(11,870)
Deficit (Surplus)	(949)	1,061	17,577
Net liability arising from defined benefit obligation (Prepaid pension cost)	$ (949)	$ 1,061	$ 17,577

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

	For the Year Ended December 31	
	2013	2012
Opening defined benefit obligation	$ 1,906	$ 29,447
Current service cost	690	1,201
Interest cost	26	442
Actuarial losses/(gains)	(2,598)	1,946
Gains on curtailments	-	(14,027)
Benefits paid	-	(17,103)
Closing defined benefit obligation	$ 24	$ 1,906

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

	For the Year Ended December 31	
	2013	2012
Opening fair value of plan assets	$ 845	$ 11,870
Expected return on plan assets	16	290
Actuarial gain/(loss)	27	(184)
Contributions from the employer	85	5,972
Benefits paid	-	(17,103)
Closing fair value of plan assets	$ 973	$ 845

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

	December 31, 2013	December 31, 2012	January 1, 2012
Equity instruments	44.77%	37.43%	40.75%
Cash	22.86%	24.51%	23.87%
Debt instruments	9.37%	10.45%	11.45%
Fixed income instruments	18.11%	16.28%	16.19%
Others	4.89%	11.33%	7.74%
	100.00%	100.00%	100.00%

The Group chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs: (Please refer to Note 40)

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 24	$ 1,906	$ 29,447
Fair value of plan assets	$ (973)	$ (845)	$ (11,870)
Deficit	$ (949)	$ 1,061	$ 17,577
Experience adjustments on plan liabilities	$ 2,600	$ (1,946)	$ -
Experience adjustments on plan assets	$ 27	$ (184)	$ -

The Company expects to make a contribution of $99 thousand to the defined benefit plans during the annual period beginning after 2013.

24. EQUITY

a. Ordinary shares

	December 31, 2013	December 31, 2012	January 1, 2012
Number of authorized shares (thousand)	500,000	500,000	500,000
Authorized shares	$ 5,000,000	$ 5,000,000	$ 5,000,000
Number of shares issued and collected proceeds	350,360	340,131	352,158
Issued shares	$ 3,503,603	$ 3,401,313	$ 3,521,583

The issued common stock with a par value of $10 per share is entitled to the right to vote and receive dividends.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the shares issued and fully paid of the Company include private equity of $0 thousand, $1,500,000 thousand and $1,500,000 thousand, respectively, which were not public issuance.

In their meeting on June 15, 2012, the stockholders of the Company approved a restricted stock plan for employees which were reflected in Note 28.

b. Capital surplus

A reconciliation of the carrying amount at the beginning and at the end of years ended 2013 and 2012, for each class of capital surplus was as follows:

	Share Premium	Treasury Share Transactions	Change in Capital Surplus from Investments in Associates Accounted for by Using Equity Method	Restricted Stock Plan for Employees	Total
Balance at January 1, 2012	$ 208,899	$ 87,195	$ -	$ -	$ 296,094
Arising from treasury share transactions	(7,134)	17,789	-	-	10,655
Change in capital surplus from investments in associates accounted for by using equity method	-	-	2,325	-	2,325
Balance at December 31, 2012	201,765	104,984	2,325	-	309,074
Issue of cash dividends from capital surplus	(88,774)	-	-	-	(88,774)
Arising on share - based payments	7,200	-	-	10,224	17,424
Balance at December 31, 2013	$ 120,191	$ 104,984	$ 2,325	$ 10,224	$ 237,724

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

The capital surplus from investments accounted for using equity method and restricted stock plan for employees may not be used for any purpose.

c. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that, under the board of directors' resolution, annual net income less any deficit and 10% as legal reserve plus unappropriated earnings of prior years should be distributed. Bonus to directors and profit sharing to employees of Shuttle of not more than 3% and not less than 8% of the distributable earnings, respectively; provided that the ratio for cash dividend shall not exceed 10% of the total distribution.

For the years ended December 31, 2013 and 2012, the bonus to employees was $40,521 thousand and $6,504 thousand, respectively, and the remuneration to directors and supervisors was $15,195 thousand and $2,439 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 8% and 3%, respectively, of net income (net of the bonus and remuneration). Material differences between 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 shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' 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 shareholders' meeting.

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 and unrealized gain (loss) on available-for-sale financial assets 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.

The appropriation for legal reserve shall be made until the accumulated reserve equals the aggregate par value of the outstanding capital stock of Company. This reserve can only be used to offset a deficit, or, when the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2012 and 2011 had been approved in the shareholders' meetings on June 21, 2013 and June 15, 2012, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2012	**2011**	**2012**	**2011**
Legal reserve	$ 31,826	$ 1,126		
Special reserve	205,139	10,136		
Cash dividends	81,291	-	$0.239	$-

The stockholders of Company resolved the distribution in cash of capital surplus from share premium of $88,774 thousand at NT$0.261 per share.

Bonuses to employees and remuneration to directors and supervisors for 2012 and 2011 approved in the shareholders' meetings on June 21, 2013 and June 15, 2012, respectively, were as follows:

	For the Year Ended December 31	
	2012	**2011**
	Cash Dividends	**Cash Dividends**
Bonus to employees	$ 6,504	$ -
Remuneration of directors and supervisors	2,439	-

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings in 2013 and 2012 and the amounts recognized in the financial statements for the years ended December 31, 2012 and 2011.

The appropriations of earnings for 2012 were proposed according to the Company's financial statements for the years 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.

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

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 46,526	$-
Cash dividends	242,459	0.7

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2013 are subject to the resolution of the shareholders' meeting to be held on June 19, 2014.

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

d. Special reserves to be recognized for the first-time adoption of IFRS

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

e. Other equity-Unearned employee benefit

In the meeting of shareholders on June 15, 2012, the shareholders approved a restricted share plan for employees. Refer to Note 28 for the information on restricted shares issued.

	For the Year Ended December 31, 2013
Issuance of shares	$ (69,833)
Compensation cost	32,397
Change in employee turnover rate	(650)
Ineffectiveness from employee resignation	10,627
Balance at December 31, 2013	$ (27,459)

f. Treasury shares

(Shares in Thousands)

Purpose of Treasury Stock (To maintain the Company's creditability and shareholders' interest)	**Number of Shares, End of Period**
Number of shares at January 1, 2012	12,027
Increase during the year	-
Decrease during the year	12,027
Number of shares at December 31, 2012	-
Increase during the year	2,626
Decrease during the year	-
Number of shares at December 31, 2013	2,626

On January 6, 2012, the board of directors approved to cancel the treasury stock mentioned in the preceding paragraph; the cancellation of 12,027 shares with total amount of $109,615 thousand decreased capital stock and capital surplus - issuance of common shares by $120,270 thousand and $7,134 thousand, respectively, and resulted in $17,789 of capital surplus - treasury stock transactions. The effective date of capital reduction was January 31, 2012.

The Company spent $29,141 thousand to buy 2,626 thousand shares of treasury stock in order to maintain the Company's creditability and shareholder's interest.

Under the Securities and Exchange Act, treasury stock should not exceed 10% of outstanding common stock and the amount should not exceed the total of retained earnings and additional paid-in capital. The Company should neither pledge treasury stock nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

25. NET PROFIT

a. Other gains and losses

	For the Year Ended December 31	
	2013	2012
Gain (loss) on disposal of property, plant and equipment	$ 697	$ (14,187)

b. Depreciation and amortization

	For the Year Ended December 31	
	2013	2012
Depreciation		
Operating cost	$ 29,989	$ 29,868
Operating expenses	28,686	24,919
Nonoperating expenses and losses	346	346
	$ 59,021	$ 55,133
Amortization		
Operating cost	$ 116,218	$ 89,647
Operating expenses	10,668	3,185
	$ 126,886	$ 92,832

c. Employee benefit expenses

	For the Year Ended December 31	
	2013	2012
Post-employment benefit		
Defined contribution plans	$ 45,128	$ 45,815
Defined benefit plans	700	(12,674)
	45,828	33,141
Share-based payments		
Equity-settled share - based payments	32,397	-
Other employee benefit	1,061,254	912,995
Total employee benefit expenses	$ 1,139,479	$ 946,136
Summary by functions		
Operating costs	$ 271,328	$ 248,917
Operating expenses	868,151	697,219
	$ 1,139,479	$ 946,136

d. Gain (loss) on foreign currency exchange

	For the Year Ended December 31	
	2013	2012
Foreign exchange gain	$ 47,291	$ 59,503
Foreign exchange loss	(55,767)	(69,167)
Net loss	$ (8,476)	$ (9,664)

26. INCOME TAX

a. Income tax recognized in profit or loss

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

	For the Year Ended December 31	
	2013	2012
Current tax		
In respect of the current year	$ 3,559	$ 7,636
In respect of prior periods	(1,016)	1,081
	2,543	8,717
Deferred tax		
In respect of the current year	54,452	18,315
Income tax expense recognized in profit or loss	$ 56,995	$ 27,032

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

	For the Year Ended December 31	
	2013	2012
Profit before tax	$ 509,955	$ 344,834
Income tax expense calculated at the statutory rate	$ 86,692	$ 58,622
Nondeductible expenses in determining taxable income	4,453	1,948
Tax-exempt income	(2,735)	(34,188)
Unrecognized loss carryforwards and deductible temporary differences	(33,326)	(3,171)
Effect of different tax rate of group entities operating in other jurisdictions	2,844	2,740
Adjustments for prior years' tax	(1,016)	1,081
Income tax expense recognized in profit or loss	$ 56,912	$ 27,032

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

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

b. Current tax assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Current tax assets			
Tax refund receivable	$ 11,877	$ 33,645	$ 314
Current tax liabilities			
Income tax payable	$ 540	$ 622	$ 2,979

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Temporarily difference			
Financial assets measured at cost	$ 15,850	$ 1,000	$ 16,850
Provisions for warranty	10,747	(3,579)	7,168
Deferred revenue	7,830	(957)	6,873
Doubtful debts	8,299	(1,751)	6,548
Share of the loss of associates accounted for using equity method	-	311	311
Others	6,415	2,302	8,717
	49,141	(2,674)	46,467
Tax losses	31,723	45,397	77,120
Investment credits	27,658	(27,658)	-
	$ 108,522	$ 15,065	$ 123,587
Deferred tax liabilities			
Temporarily difference			
Share of the profit of associates accounted for using equity method	$ 7,328	$ 66,081	$ 73,409
Unrealized exchange gain, net	448	1,419	1,867
	$ 7,776	$ 67,500	$ 75,276

For the year ended December 31, 2012

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred tax assets			
Temporarily difference			
Financial assets measured at cost	$ 5,418	$ 10,432	$ 15,850
Provisions for warranty	9,156	1,591	10,747
Doubtful debts	8,358	(59)	8,299
Deferred revenue	8,135	(305)	7,830
Share of the loss of associates accounted for using equity method	22,391	(22,391)	-
Others	21,641	(15,226)	6,415
	75,099	(25,958)	49,141
Tax losses	42,088	(10,365)	31,723
Investment credits	5,771	21,887	27,658
	$ 122,958	$ (14,436)	$ 108,522

(Continued)

Deferred tax liabilities	Opening Balance	Recognized in Profit or Loss	Closing Balance
Temporarily difference			
Share of the profit of associates accounted for using equity method	$ -	$ 7,328	$ 7,328
Unrealized exchange gain, net	2,741	(2,293)	448
	$ 2,741	$ 5,035	$ 7,776

(Concluded)

d. Information about unused loss carry-forward

Loss carryforwards as of December 31, 2013 comprised of:

Unused Amount	Expiry Year
$ 1,228	2015
55,539	2019
40,250	2020
24,571	2028
$ 121,588	

e. Integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings			
Unappropriated earnings generated on and after January 1, 1998	$ 465,258	$ 305,911	$ -
Imputation credits accounts	$ 699	$ 4,264	$ 5,594

The creditable ratio for distribution of earnings of 2013 and 2012 was 0.13% (expected ratio) and 1.33%, respectively.

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

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

f. Income tax assessment

The tax authorities have examined income tax returns of Shuttle through 2011, except income tax return for 2009 of Shuttle. The tax authorities have examined income tax returns of Hong Yi Investment Co., Ltd. through 2012.

27. EARNINGS PER SHARE

The earnings and the weighted-average shares of common stock to calculate earnings per share were as follows:

Net Profit for the Period

	For the Year Ended December 31	
	2013	**2012**
Earnings used in the computation of basic and diluted earnings per share	$ 474,978	$ 325,615

Shares

	For the Year Ended December 31	
	2013	**2012**
Weighted-average number of ordinary shares in computation of basic earnings per share	343,877	340,131
Effect of dilutive potential ordinary shares:		
Bonus paid to employees	2,026	624
Weighted average number of ordinary shares used in the computation of diluted earnings per share	345,903	340,755

If the Group was able to settle the bonuses paid to employees by cash or shares, the Group presumed that the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the 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.

28. SHARE-BASED PAYMENT ARRANGEMENTS - RESTRICTED SHARES FOR EMPLOYEES

In their meeting on June 15, 2012, the stockholders of the Company approved a restricted stock plan for employees with a total amount of $125,000 thousand, consisting of 12,500 thousand shares, and the issue prices was $6 per share. The plan was approved by the Financial Supervisory Commission and effective on June 21, 2013.

On August 9, 2013, the board of directors approved to issue restricted shares with a total amount of $120,000 thousand, consisting of 12,000 thousand shares. The grant date and issuance date of restricted share were August 9, 2013 and September 6, 2013, respectively. The fair value was $12 per share on grant date. The Company recognized compensation cost of $32,397 thousand for the year ended December 31, 2013. Because part of employees resigned, the Company recalled 1,771 thousand shares and returned issue price of $7,182 thousand to resigned employees for the year ended December 31, 2013.

Movements in the accounts related to restricted shares for employees from the date of grant to December 31, 2013 were as follows:

	Ordinary Shares	Capital Surplus - Restricted Shares for Employees	Capital Surplus - Share Premium	Unearned Employee Benefit
Grant date	$ -	$ 139,666	$ -	($ 69,833)
Issuance date	120,000	(120,000)	-	-
Recognized compensation cost	-	-	-	32,397
Change in employee turnover rate	-	1,300		(650)
Vesting conditions met	-	(7,200)	7,200	-
Ineffectiveness from employees resignation	(17,710)	(3,542)	-	10,627
Balance at December 31, 2013	$ 102,290	$ 10,224	$ 7,200	$ (27,459)

The restrictions on the rights of the employees who acquired restricted shares but have not met the vesting conditions are as follows:

a. The employees should not sell, pledge, transfer, donate or in any other way to dispose of these shares.
b. The employees holding these shares are entitled to receive cash and stock dividends.
c. The employees holding these shares have voting right.

If an employee fails to meet the vesting conditions, the Company will recall or buy back his/her restricted shares and have them canceled.

29. PARTIAL CASH TRANSACTIONS

For the years ended December 31, 2013 and 2012, the Group entered into the following partial cash investing activities:

	For the Year Ended December 31	
	2013	2012
Paid partial cash to acquire property, plant and equipment		
Acquistions of property, plant and equipment	$ 24,156	$ 58,307
Net change in payables to equipment suppliers	961	688
Cash paid	$ 25,117	$ 58,995

30. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

Operating leases relate to office, plant and warehouse leased by the Group with lease terms of between 1 and 3 years. As of December 31, 2013, December 31, 2012 and January 1, 2012, the refundable deposits of operating leases paid by the Group were $10,695 thousand, $10,733 thousand and $8,544 thousand, respectively.

The lease payments recognized as expenses were as follows:

For the Year Ended December 31	
2013	2012
$ 48,590	$ 46,199

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Within one year	$ 34,092	$ 26,917	$ 41,130
Longer than one year but within five years	28,358	15,149	23,949
Longer than five years	752	-	-
	$ 63,202	$ 42,066	$ 65,079

b. The Company as lessor

Operating leases relate to the investment property owned by the Group. All operating lease contracts include the policy that rental can be adjusted with market price when lessees continue the contracts. The lessee does not have an option to purchase the property at the expiry of the lease period.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the Group received deposits of operating leases of $601 thousand, $646 thousand and $303 thousand, respectively.

The future aggregate minimum lease collection under non-cancellable operating leases are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Within one year	$ 1,200	$ 2,400	$ 1,200
Longer than one year but within five years	-	1,200	3,600
	$ 1,200	$ 3,600	$ 4,800

31. CAPITAL MANAGEMENT

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

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

The management believes the carrying value of the financial assets and financial liabilities not carried at fair value is approximately equal to the fair value.

2) Fair value measurements recognized in the consolidated balance sheets

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

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

b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2013

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in ROC and other countries	$ 215,280	$ -	$ -	$ 215,280
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 6,646	$ -	$ 6,646

December 31, 2012

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in ROC and other countries	$ 184,227	$ -	$ -	$ 184,227
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 574	$ -	$ 574

January 1, 2012

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 5,874	$ -	$ 5,874
Available-for-sale financial assets				
Securities listed in ROC and other countries	$ 244,535	$ -	$ -	$ 244,535

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

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

a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;

b) The fair values of derivative instruments were calculated using quoted prices.

Foreign currency forward contracts were calculated based on the forward exchange rate on the maturity date quoted by the financial institutions separately. Estimates and assumptions used in valuation techniques are consistent with the information used by market participants in determining the prices of financial instruments.

b. Categories of financial instruments

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets			
Measured at FVTPL			
Held for trading	$ -	$ -	$ 5,874
Loans and receivables (Note 1)	6,819,657	4,857,964	3,663,572
Available-for-sale financial assets (Note 2)	280,689	251,931	316,720

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Financial Liabilities			
Measured at FVTPL			
Held for trading	$ 6,646	$ 574	$ -
Measured at amortized cost (Note 3)	4,360,003	3,274,403	2,572,938

(Concluded)

Note 1: The balances included cash and cash equivalents, notes receivable, trade receivable, other receivables, refundable deposits and other financial assets which were loans and receivables carried at amortised cost.

Note 2: The balances included financial assets carried at cost which were classified as available-for-sale financial assets.

Note 3: The balances included short-term loans, note payable, trade payable and other payables which were financial liabilities carried at amortized cost.

c. Financial risk management objectives

The main financial instruments of the Group include accounts receivable, accounts payables and loans. The Group's finance department provides services to its business units, co-ordinates access to domestic and international capital markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk, and liquidity risk.

1) Market risk

The Group is exposed to market risks of changes in foreign currency exchange rates and interest rates.

There were no changes to the Group's exposure to market risks or the manner in which these risks are managed and measured. Sensitivity analysis is an estimate of the influence of the reasonably possible range of the interest rate and currency fluctuation in a year. Sensitivity analysis of interest rate and currency fluctuation was as follows:

a) Foreign currency risk management

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including the foreign currency denominated monetary assets and monetary liabilities that were eliminated upon consolidation) at the end of the reporting period were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Assets			
USD	$ 1,111,572	$ 1,031,812	$ 1,004,050
EUR	242,102	108,324	127,666
JPY	19,617	29,572	41,097
RMB	74,330	-	-
Liabilities			
USD	1,106,639	965,233	748,506
EUR	737	-	1,360

Sensitivity analysis

The Group is mainly affected by the fluctuations of the U.S. dollars, EUR, RMB, and Japanese yen.

The table below is the analysis of the sensitivity of the Group's functional currency to a 5% increase or decrease in the relevant currency rate on the balance sheet date. The 5% sensitivity rate is the currency risk factor used in the internal report to management; it is the rate that management believes represents the reasonably possible range of the currency fluctuation.

The table below shows the amount of change in income before tax when the Group's functional currency increases by 5% against the other relevant currency. When the Group's functional currency falls 5% against other relevant currency, the impact to income before tax is the negative number of the same amount.

	U.S. Dollar		**Japan Yen**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2013	**2012**	**2013**	**2012**
Gain (loss)	$ (247)	$ (3,329)	$ (981)	$ (1,479)

	RMB		**EUR**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2013	**2012**	**2013**	**2012**
Gain (loss)	$ (3,717)	$ -	$ (12,068)	$ (5,416)

The above effects are mainly derived from the Group's outstanding cash in bank, receivables and payables, which were not cash flows hedged, valued in U.S. dollars, EUR, RMB and Japanese Yen on balance sheet date.

b) Interest rate risk

The carrying amount of the Group's exposures to interest rates on financial assets and financial liabilities are as follows:

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Fair value interest rate risk			
Financial assets	$ 490,343	$ 434,684	$ 820,826
Cash flow interest rate risk			
Financial assets	1,241,255	891,417	757,356
Financial liabilities	920,527	511,127	639,302

Sensitivity analysis

The sensitivity analyses below have been determined the exposure to interest rates risk for non-derivative instruments at the end of the reporting period. Increase or decrease of 25-basis point is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2013 would increase/decrease by $802 thousand. This is mainly attributable to the Group's exposure to floating rates on demand deposits and short-term loan.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2012 would increase/decrease by $951 thousand. This is mainly attributable to the Group's exposure to floating rates on demand deposits and short-term loan.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The maximum credit exposure of the aforementioned financial instruments is equal to their carrying amounts recognized in the consolidated balance sheet as of the balance sheet date.

The Group evaluates the main customers' credit rating by the use of accessible financial information and transaction record with customers. The Company keeps an eye on credit exposure and customers' credit rating.

The Group's credit risk mainly focuses on the main customer. As of December 31, 2013, December 31, 2012 and January 1, 2012, the ratio of total receivables from the main customers were 65%, 66% and 70%, respectively.

3) Liquidity risk

The Group copes with the operation and alleviates the effect of fluctuations in cash flows by managing and maintaining sufficient cash and cash equivalents. The management monitors the usage of bank's financing limit and ensures that the terms of loan agreements are followed.

Bank loans are sources of liquidity of the Group. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Group's unused bank financing limits were $3,722,711 thousand, $3,386,386 thousand and $2,412,638 thousand, respectively.

The following tables, which were prepared based on the earliest repayment date and undiscounted cash flows of financial liabilities, are details about the analysis of the maturities of the non-derivative financial liabilities during the agreed repayment period.

December 31, 2013

	Weighted-average Effective Interest Rate (%)	**Within One Month**	**1 to 3 Months**	**3 Months to 1 Year**
Financial liabilities - non-derivative				
Non-interest bearing	-	$ 939,583	$ 1,184,178	$ 1,315,715
Floating interest rate instruments	1.17-2.01	-	684,318	236,209
		$ 939,583	$ 1,868,496	$ 1,551,924

December 31, 2012

	Weighted-average Effective Interest Rate (%)	Within One Month	1 to 3 Months	3 Months to 1 Year
Financial liabilities - non-derivative				
Non-interest bearing	-	$ 937,304	$ 1,731,418	$ 94,554
Floating interest rate instruments	1.18-1.55	29,040	393,907	88,180
		$ 966,344	$ 2,125,325	$ 182,734

January 1, 2012

	Weighted-average Effective Interest Rate (%)	Within One Month	1 to 3 Months	3 Months to 1 Year
Financial liabilities - non-derivative				
Non-interest bearing	-	$ 535,961	$ 1,219,821	$ 177,854
Floating interest rate instruments	1.60-2.35	79,522	431,187	128,593
		$ 615,483	$ 1,651,008	$ 306,447

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2013

	Less Than 1 Month	1 to 3 Months	3 Months to 1 Year
Gross settled			
Forward exchange contracts			
Inflow	$ 58,386	$ 168,293	$ 35,079
Outflow	(59,879)	(173,326)	(35,711)
	$ (1,493)	$ (5,033)	$ (632)

December 31, 2012

	Less Than 1 Month	1 to 3 Months	3 Months to 1 Year
Gross settled			
Forward exchange contracts			
Inflow	$ 71,141	$ 50,428	$ 23,864
Outflow	(71,498)	(50,189)	(24,291)
	$ (357)	$ 239	$ (427)

January 1, 2012

	Less Than 1 Month	1-3 Months	3 Months to 1 Year
Gross settled			
Forward exchange contracts			
Inflow	$ -	$ 140,088	$ 18,394
Outflow	-	(134,498)	(18,457)
	$ -	$ 5,590	$ (63)

33. TRANSACTIONS WITH RELATED PARTIES

In addition to those disclosed in other notes, the Group had business transactions with the following related parties:

a. Related parties

Related Party	Relationship with the Group
Associate	
Shanghai Wiwin Information Technology Co., Ltd.	Equity-method investee of subsidiary
Other parties	
Ares International Corporation	Chairman is the second degree relative of the Company's chairman

1) Trading transactions

	Sales		Operating Expense	
	2013	2012	2013	2012
Associates	$ 24	$ -	$ 1,784	$ -
Others	$ -	$ -	$ 92	$ 134

2) Payables

	December 31, 2013	December 31, 2012	January 1, 2012
Others	$ -	$ -	$ 706

b. Compensation of key management personnel

The remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2013	2012
Short-term benefit	$ 75,277	$ 52,189
Post-employment benefit	1,067	827
Share-based payments	7,411	-
	$ 83,755	$ 53,016

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

34. PLEDGED ASSETS

The Group's assets mortgaged or pledged as collateral for bank loans and other financings were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Property, plant and equipment, net	$ 444,788	$ 448,360	$ 788,204
Investment property, net	81,220	81,566	81,912
	$ 526,008	$ 529,926	$ 870,116

35. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

In March 2012, Technology Properties Limited, LLC (TPL) filed a lawsuit in the U.S. International Trade Commission (ITC) and the U.S. District Court for Eastern District of Texas, alleging that the Company infringed the U.S. patents No. 7295443 and No. 7255424. The litigation is now under investigation. As of March 25, 2014, the Company was unable to assess the result and the potential loss on the lawsuit.

36. SUBSEQUENT EVENTS: NONE

37. EXCHANGE RATE INFORMATION OF FOREIGN FINANCIAL ASSETS AND LIABILITIES

The information of significant foreign-currency financial assets and liabilities were as below:

(In Thousands of New Taiwan Dollars and Foreign Currencies)

December 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 3,769	29.805 (USD:NTD)	$ 112,335
USD	33,526	6.0969 (USD:RMB)	999,237
EUR	5,892	41.09 (EUR:NTD)	242,102
JPY	69,098	0.2839 (JPY:NTD)	19,617
RMB	15,205	4.8885 (RMB:NTD)	74,330
Financial liabilities			
Monetary items			
USD	8,363	29.805 (USD:NTD)	249,259
USD	28,766	6.0969 (USD:RMB)	857,380
EUR	18	41.09 (EUR:NTD)	737

December 31, 2012

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 4,574	29.04 (USD:NTD)	$ 132,820
USD	30,365	6.2855 (USD:RMB)	881,791
USD	592	2.0432 (USD:REAL)	17,201
EUR	2,814	38.49 (EUR:NTD)	108,324
JPY	87,908	0.3364 (JPY:NTD)	29,572
Financial liabilities			
Monetary items			
USD	6,994	29.04 (USD:NTD)	203,095
USD	26,244	6.2855 (USD:RMB)	762,138

January 1, 2012

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 10,638	30.275 (USD:NTD)	$ 322,056
USD	22,527	6.3009 (USD:RMB)	681,994
EUR	3,258	39.18 (EUR:NTD)	127,666
JPY	105,214	0.3906 (JPY:NTD)	41,097
Financial liabilities			
Monetary items			
USD	5,167	30.275 (USD:NTD)	156,428
USD	19,557	6.3009 (USD:RMB)	592,078
EUR	35	39.18 (EUR:NTD)	1,360

38. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:

a. Financings provided: None;

b. Endorsements/guarantees provided: Table 1 (attached);

c. Marketable securities held (excluding investments in subsidiaries and associates): Table 2 (attached);

d. Marketable securities acquired or disposed of at costs or prices of at least $300 million or 20% of the paid-in capital: None;

e. Acquisition of individual real estate at costs of at least $300 million or 20% of the paid-in capital: None;

f. Disposal of individual real estate at prices of at least $300 million or 20% of the paid-in capital: None;

g. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: Table 3 (attached);

h. Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: Table 4 (attached);

i. Names, locations, and related information of investees over which the Company exercises significant influence: Table 5 (attached);

j. Derivative transactions of the Company: Notes 7 and 32; Derivative transaction of investees over which the Company has a controlling interest: None;

k. Information on investments in Mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 6 (attached);

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 7 (attached);

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 7 (attached);

c) The amount of property transactions and the amount of the resultant gains or losses: None;

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None;

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None;

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

l. Intercompany relationships and significant transactions: Table 7 (attached).

39. SEGMENT INFORMATION

The Group engages solely in manufacturing and selling of computer equipment. Thus, the accompanying financial statements reflect the Group's segment information.

a. Revenue from major products and services

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

	For the Year Ended December 31	
	2013	**2012**
Laptop	$ 13,981,107	$ 12,126,269
Barebones	1,286,290	1,225,572
Computer peripherals	1,065,435	820,845
	$ 16,332,832	$ 14,172,686

b. Geographical information

The Group operates in three principal geographical areas - America, Asia, China and Europe.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers		Non-current Assets		
	Year Ended December 31		December 31,	December 31,	January 1,
	2013	2012	2013	2012	2012
America	$ 12,445,148	$ 9,750,674	$ 2,736	$ 3,034	$ 933
Asia	1,612,451	1,454,438	637	847	1,115
China	1,170,326	1,064,690	104,581	131,897	137,884
Europe	877,121	1,473,192	13,721	13,691	14,723
Domestic	173,539	389,045	580,013	594,987	959,171
Others	54,247	40,647	-	-	-
	$ 16,332,832	$ 14,172,686	$ 701,688	$ 744,456	$ 1,113,826

Non-current assets exclude deferred tax assets.

c. Information about major customers

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

	For the Year Ended December 31	
	2013	2012
Custom A (Note 1)	$ 6,258,455	$ 5,874,113
Custom B (Note 1)	2,259,248	NA (Note 2)
	$ 8,517,703	$ 5,874,113

Note 1: Revenues from laptop.

Note 2: Revenue less than 10% of the Group's revenue.

40. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation for financial information under IFRSs

The Group's consolidated financial statements for the year ended December 31, 2013 were the first IFRS financial statements. The Group not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

b. Impact on the transition to IFRSs

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

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

R.O.C. GAAP		Effect of the Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Current assets	$ 5,080,661	$ -	$ (28,671)	$ 5,051,990	Current assets	d), g)
Long-term investments	79,870	-	-	79,870	Long-term investments	
Property, plant and equipment	959,982	-	(9,631)	950,351	Property, plant and equipment	a), c)
	-	-	81,953	81,953	Investment properties	b)
Intangible assets	7,170	(1,191)	21,459	27,438	Intangible assets	c), f)
Other assets	239,411	-	(62,369)	177,042	Other non-current assets	a), b), c), d)
Total assets	$ 6,367,094	$ (1,191)	$ 2,741	$ 6,368,644	Total assets	
Current liabilities	$ 2,731,161	$ -	$ -	$ 2,731,161	Current liabilities	
Other liabilities	13,156	5,204	2,741	21,101	Other non-current liabilities	d), f)
Total liabilities	2,744,317	5,204	2,741	2,752,262	Total liabilities	
Capital stock	3,521,583	-	-	3,521,583	Capital stock	
Capital surplus	296,094	-	-	296,094	Capital surplus	
Retained earnings	11,262	(17,574)	-	(6,312)	Retained earnings	f), h)
Treasury stock	(109,615)	-	-	(109,615)		
Other stockholders' equity	(100,463)	11,179	-	(89,284)	Other stockholders' equity	f), h)
Equity attributable to stockholders' of the parent	3,618,861	(6,395)	-	3,612,466	Equity attributable to stockholders' of the parent	
Minority interests	3,916	-	-	3,916	Non-controlling interests	
Total stockholders' equity	3,622,777	(6,395)	-	3,616,382	Total stockholders' equity	
Total	$ 6,367,094	$ (1,191)	$ 2,741	$ 6,368,644	Total	

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

R.O.C. GAAP		Effect of the Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Current assets	$ 6,435,559	$ -	$ (63,405)	$ 6,372,154	Current assets	d), g)
Long-term investments	80,630	-	-	80,630	Long-term investments	
Property, plant and equipment	611,830	-	4,871	616,701	Property, plant and equipment	c)
	-	-	81,607	81,607	Investment properties	b)
Intangible assets	30	(30)	17,584	17,584	Intangible assets	c), f)
Other assets	164,701	(1,507)	(32,881)	130,313	Other non-current assets	b), c), d), e)
Total assets	$ 7,292,750	$ (1,537)	$ 7,776	$ 7,298,989	Total assets	
Current liabilities	$ 3,458,751	$ -	$ -	$ 3,458,751	Current liabilities	
Other liabilities	1,676	494	7,776	9,946	Other non-current liabilities	d), f)
Total liabilities	3,460,427	494	7,776	3,468,697	Total liabilities	
Capital stock	3,401,313	-	-	3,401,313	Capital stock	
Capital surplus	309,074	-	-	309,074	Capital surplus	
Retained earnings	329,523	(12,350)	-	317,173	Retained earnings	e), f), h)
Other stockholders' equity	(215,274)	10,319	-	(204,955)	Other stockholders' equity	h)
Equity attributable to stockholders' of the parent	3,824,636	(2,031)		3,822,605	Equity attributable to stockholders' of the parent	
Minority interests	7,687	-	-	7,687	Non-controlling interests	
Total stockholders' equity	3,832,323	(2,031)	-	3,830,292	Total stockholders' equity	
Total	$ 7,292,750	$ (1,537)	$ 7,776	$ 7,298,989	Total	

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

R.O.C. GAAP		Effect of the Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Operating revenues, net	$ 14,172,686	$ -	$ -	$ 14,172,686	Operating revenues, net	
Operating costs	(12,567,865)	-	-	(12,567,865)	Operating costs	
Gross profit	1,604,821	-	-	1,604,821	Gross profit	
Operating expenses					Operating expenses	
Marketing	(629,727)	1,653	-	(628,074)	Marketing	f)
General and administrative	(285,691)	2,074	-	(283,617)	General and administrative	f)
Research and development	(352,503)	5,134	-	(347,369)	Research and development	f)
Total operating expenses	(1,267,921)	8,861	-	(1,259,060)	Total operating expenses	
Other revenue and expenses	-	-	(14,187)	(14,187)	Other revenue and expenses	i)
Income from operations	336,900	8,861	(14,187)	331,574	Income from operations	
Non-operating income and gains					Non-operating income and gains	
Interest income	6,272	-	-	6,272	Interest income	
Gain on sale of investments, net	38,808	-	-	38,808	Gain on sale of investments, net	
Dividend income	18,051	-	-	18,051	Dividend income	
Others	61,721	-	-	61,721	Others	
	124,852	-	-	124,852		
Non-operating expense and losses						
Exchange loss, net	(9,664)	-	-	(9,664)	Exchange loss, net	
Interest expense	(18,836)	-	-	(18,836)	Interest expense	
Valuation loss on financial instruments, net	(574)	-	-	(574)	Valuation gain (loss) on financial instruments at fair value through profit or loss	
Loss on disposal of property, plant and equipment	(14,187)	-	14,187	-		
Others	(82,518)	-	-	(82,518)	Others	i)
	(125,779)	-	14,187	(111,592)		
Income before income tax	335,973	8,861	-	344,834	Income before income tax	
Income tax expense	(25,525)	(1,507)	-	(27,032)	Income tax expense	e)
Net income	$ 310,448	$ 7,354	$ -	317,802	Net income	
				(55,431)	Exchange differences on translating foreign operations	i)
				(59,125)	Valuation gain on available-for-sale financial assets, net	i)
				(2,130)	Pension gains resulting from defined benefit plans	f)
				(562)	Share of the other comprehensive income of associates accounted for using equity method	i)
				(117,248)	Other comprehensive loss for the period	
				$ 200,554	Total comprehensive income for the period	

4) Exemptions from IFRS 1

IFRS 1 establishes the procedures for the Group's first consolidated financial statements prepared in accordance with IFRSs. According to IFRS 1, the Group is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to IFRSs, January 1, 2012; except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The major optional exemptions the Group adopted are summarized as follows:

Business combinations

The Group elected not to apply IFRS 3, "Business Combinations," retrospectively to business combinations that occurred before the date of transition.

Share-based payment transactions

The Group elected to take the optional exemption from applying IFRS 2 "Share-based Payment" retrospectively for the shared-based payment transactions granted and vested before the date of transition.

Employee benefits

The Group elected to recognize all cumulative actuarial gains and losses in retained earnings as of the date of transition. In addition, the Group elected to apply the exemption disclosure requirement provided by IFRS 1, in which the experience adjustments are determined for each accounting period prospectively from the transition date.

Cumulative translation differences

The Group elected to reset the cumulative translation differences to zero at the date of transition to IFRSs and adjusted retained earnings accordingly. Gains or losses of a subsequent disposal of any foreign operations will exclude the translation differences that arose before the date of transition to IFRSs.

The effect of the abovementioned optional exemptions elected by the Group was stated in the following Note 5 - explanations of significant reconciling items in the transition to IFRSs.

5) Notes to the significant reconciliation of transition to IFRSs

a) Presentation of prepayments for equipment

Before converting to IFRSs, prepayments for equipment were classified under property, plant and equipment; after transition to IFRSs, prepayments for equipment should be classified as prepayment under non-current assets.

On December 31 and January 1, 2012, the amount reclassified from property, plant and equipment to other assets was $0 thousand and $12,282 thousand, respectively.

b) Classification of investment properties

As of December 31 and January 1, 2012, certain assets of the Group meet the definitions of IAS No. 40 "Investment Property" and were reclassified from other asset - leased assets to investment property in the amount of $81,607 thousand and $81,953 thousand, respectively.

c) Classification of deferred charges

Before the transition to IFRSs, deferred charges are recorded as other assets; after the transition to IFRSs, they are reclassified as property, plant and equipment and intangible assets according to their nature.

As of December 31, 2012, deferred charges reclassified to property, plant and equipment and intangible assets were $4,871 thousand and $17,584 thousand, respectively.

As of January 1, 2012, deferred charges reclassified to property, plant and equipment and intangible assets were $2,651 thousand and $21,459 thousand, respectively.

d) Classifications of deferred income tax asset/liability and valuation allowance

Under R.O.C. GAAP, a deferred tax asset or liability is classified as current or non-current in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or non-current based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset and liability is classified as non-current asset or liability and cannot be presented by offsetting each other.

In addition, under R.O.C. GAAP, valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred 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.

As of December 31 and January 1, 2012, deferred income tax assets reclassified to non-current assets was $63,853 thousand and $31,412 thousand, respectively, the Group reclassified deferred tax liabilities $448 thousand and $2,741 thousand, respectively, which have been offset with deferred tax assets under R.O.C. GAAP to deferred tax liabilities. As of December 31, 2012, deferred tax asset deduction - noncurrent reclassified to deferred tax liabilities - noncurrent was $7,328 thousand.

e) Income tax

According to IAS No. 12 “Income Taxes”, the Group shall adjust related income tax accounts (income tax expense or benefit, deferred income tax assets or liabilities) due to transition to IFRSs. For year ended December 31, 2012, the Group increased income tax expense by $1,507 thousand, due to transition to IFRSs (decreased by $1,507 thousand in deferred tax assets.)

f) Employee benefits

The Group had previously applied an actuarial valuation on its defined benefit obligation and recognized the related pension cost and retirement benefit obligation in conformity with R.O.C. GAAP. Under IFRSs, the Group should carry out actuarial valuation on defined benefit obligation in accordance with IAS No. 19, “Employee Benefits.” Further, the Group elected to recognize pension gains (losses) resulting from defined benefit plans as other comprehensive income immediately and subsequent reclassification to earnings is not permitted.

In addition, under R.O.C. GAAP, unrecognized transition net assets or obligations should be amortized on a straight-line basis over the employee’s expected remaining service period. Under IFRSs, the unrecognized transition net obligations generated according to R.O.C. GAAP should be zero at the transition date.

Due to the transition to IFRSs, as of December 31 and January 1, 2012, accrued pension cost (recorded as other liabilities) increased by $494 thousand and $5,204 thousand, respectively; deferred pension costs decreased by $30 thousand and $1,191 thousand, respectively; retained earnings decreased by $7,255 thousand; and net loss not recognized as pension cost decreased by $0 thousand and $860 thousand, respectively. For year ended December 31, 2012, pension cost decreased by $8,861 thousand; marketing expense decreased by $1,653 thousand; general and administrative expense decreased by $2,074 thousand; research and development expense decreased by $5,134 thousand; and actuarial loss arising from defined benefit plan increased by $2,130 thousand.

g) Time deposits with maturities of more than three months

Under ROC GAAP, cash and cash equivalents includes time deposits that are cancellable but without any loss of principal. Under IFRSs, the time deposits with periods of over three months were under other financial assets - current because there is fixed or determinable payments that are not quoted in an active market.

As of December 31 and January 1, 2012, time deposits with maturities of more than three months reclassified to other financial assets - current was $84,641 thousand and $50,934 thousand, respectively.

h) Cumulative translation differences

The Group elected to record all cumulative translation adjustments as zero and recognized as retained earnings at the date of transition to IFRSs. As of December 31 and January 1, 2012, cumulative translation adjustments (recorded as other equity) both increased by $10,319 thousand and both retained earnings decreased by $10,319 thousand.

i) Presentation of consolidated statement of comprehensive income

Under IFRSs, the consolidated statement of comprehensive income included current year net income and other comprehensive income. Certain accounts in the financial statements have been reclassified to conform to the presentation of financial statements under IFRSs.

j) Deemed costs of property, plant and equipment, investment properties and intangible assets.

The Company elected to measure its property, plant and equipment, investment properties and other intangible assets at the date of transition to IFRSs at cost model under IFRSs and used the carrying amounts as the deemed cost.

6) Explanation of material adjustments to the statement of cash flows.

According to ROC GAAP, interest paid and received and dividends received are classified as operating activities while dividends paid are classified as financing activities. Additional disclosure is required for interest expenses when reporting cash flow using indirect method. However, under IAS 7 “Statement of Cash Flow”, cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as operating, investing or financing activities. Therefore, interests and dividends received by the Group of $6,328 thousand and $18,051 thousand, respectively, for the year ended December 31, 2012 were presented separately at the date of transition to IFRSs.

TABLE 1

SHUTTLE INC. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Each Guaranteed Party's Endorsement/ Guarantee Amount (Note 1)	Maximum Balance for the Period	Ending Balance	Value of Collateral	Ratio of Accumulated Amount of Collateral to Net Equity Shown in the Latest Financial Statements	Maximum Collateral/ Guarantee Amounts Allowed (Note 2)
		Name	Nature of Relationship						
0	Shuttle Inc.	S.H.K.	Subsidiary of Holco (BVI) Inc.	$ 3,090,522	$ 2,246,266	$ 2,246,266	$ -	54.51%	$ 3,090,522
		S.C.C.	Indirect subsidiary of Holco (BVI) Inc.	3,090,522	8,948	-	-	-	3,090,522

Note 1: The Company limits the endorsement/guarantee amount on each entity to within 20% of the net value of the Company; for 100% held foreign subsidiary the amount is limited to within 75% of the net value of the Company.

Note 2: The Company limits the endorsement/guarantee amount within 75% of the net value of the Company.

SHUTTLE INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2013				Note
				Shares/Units	Carrying Value (Note 2)	Percentage of Ownership (%)	Market Value or Net Asset Value (Note 1)	
Shuttle Inc.	Stock							
	Mediatek Inc.	-	Available-for-sale financial assets - current	30,420	$ 17,765	-	$ 13,491	
	Au Optronics Corp.	-	〃	216,298	12,682	-	2,059	
	Amtran Technology Co., Ltd.	-	〃	784,711	25,316	0.10	15,851	
	WT Microelectronics Co., Ltd.	-	〃	1,042,736	44,595	0.31	36,756	
	Prime View International Co., Ltd.	-	〃	1,835,000	105,852	0.17	30,003	
	ARMH-Arm Holdings Plc.	-	〃	11,450	8,446	-	18,678	
	Elitegroup Computer Systems Co., Ltd.	-	Available-for-sale financial assets - noncurrent	337,514	34,848	0.03	5,755	
	Twinmos Technologies Inc.	-	Financial assets carried at cost - noncurrent	805,000	-	0.39	-	Note 3
	Partner Tech Corp.	-	〃	1,193,508	7,352	1.98	15,578	Emerging stock
	Technology Partner IVVenture Capital Corp.	-	〃	13,005,000	13,005	3.24	8,996	
	iCatch Technology, Inc.	-	〃	2,500,000	35,000	4.55	24,876	
Hong Yi Investment Co., Ltd.	Stock							
	Ares International Corporation.	Chairman within second degree of kinship to the Company's chairman	Available-for-sale financial assets - current	1,214,546	11,769	2.57	22,166	
	WT Microelectronics Co., Ltd.	-	〃	728,438	31,154	0.22	25,677	
	Prime View International Co., Ltd.	-	〃	476,000	28,646	0.04	7,783	
	Via Technologies Inc.	-	〃	81,000	2,246	0.02	2,268	
	Au Optronics Corp.	-	〃	784,000	7,275	0.01	7,464	
	E-Ton Solar Tech Co., Ltd.	-	〃	556,000	9,444	0.07	10,119	
	Innolux Corporation	-	〃	1,040,000	11,655	0.01	11,804	
	Gintech Energy Corporation	-	〃	159,000	5,102	0.04	5,406	
	Partner Tech Corp.	-	Financial assets carried at cost - noncurrent	1,631,901	10,052	2.70	21,275	Emerging stock
	GVision Co., Ltd.	-	〃	365	-	-	-	Note 3

Note 1: Financial assets carried at cost with no quoted market prices, their fair values are determined by the Company's proportionate share in the investee's equity. Fair values of available-for-sale investments are based on closing prices as of December 31, 2013.

Note 2: Available-for-sale financial assets are stated at the original acquisition cost.

Note 3: An impairment loss was recognized to the full amount of the original acquisition cost.

Note 4: Information of investees (refer to Tables 5 and 6).

SHUTTLE INC. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Shuttle Inc.	S.C.G.	Subsidiary of Gold Fountain Limited	Sale	$ (179,017)	(20)	Within 120 days	Note	Month end 120 days	$ 51,771	17	
Shuttle Inc.	S.C.H.	Subsidiary of Gold Fountain Limited	Sale	(452,334)	(49)	Within 120 days	Note	Month end 120 days	158,721	52	
S.H.K	S.C.C	Indirect Subsidiary of Holco (BVI) Inc	Sale	(175,846)	(1)	Within 150 days	Note	Month end 150 days	222,306	5	
S.C.G.	Shuttle Inc.	Parent company of Gold Fountain Limited	Purchase	179,017	71	Within 120 days	Note	Month end 120 days	(51,771)	(87)	
S.C.H.	Shuttle Inc.	Parent company of Gold Fountain Limited	Purchase	452,334	84	Within 120 days	Note	Month end 120 days	(158,721)	(99)	
S.C.C	S.H.K.	Subsidiary of Holco (BVI) Inc.	Purchase	175,846	47	Within 150 days	Note	Month end 150 days	(222,306)	(98)	

Note: The prices were determined after taking the different market area into consideration.

TABLE 4

SHUTTLE INC. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance (Note 2)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Shuttle Inc.	S.C.H.	Subsidiary	$ 158,721	-	$ -	-	$ 151,970	$ -
S.H.K.	S.C.C.	Indirect subsidiary of Holco (BVI) Inc.	222,306 (Note 1)	-	135,272	Process in receiving	35,766	-
S.C.S.	S.H.K.	Subsidiary of Holco (BVI) Inc.	872,356	-	-	-	712,840	-

Note 1: The amount included trade receivables $149,346 thousand and other receivables $72,960 thousand which were overdue; unrelated party payment term is over 3 months.

Note 2: The amount was eliminated upon consolidation.

TABLE 5

SHUTTLE INC. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2013			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2013	December 31, 2012	Shares	Percentage of Ownership	Carrying Value			
Shuttle Inc.	Holco (BVI) Inc.	B.V.I.	Holding company	$ 1,551,896	$ 1,436,402	5,210	100	$ 2,115,643	$ 371,684	$ 371,684	Subsidiary; Notes 1 and 7
	Gold Fountain Limited	Cayman Islands	Holding company	840,147	844,564	19,375,886	100	509,180	16,573	16,573	Subsidiary; Notes 1 and 7
	Hong Yi Investment Co., Ltd.	1F., No. 30, Ln. 76, Ruiguang Rd., Neihu Dist., Taipei City	Investment	160,000	160,000	16,000,000	100	137,623	5,194	5,194	Subsidiary; Notes 1 and 7
	Shuttle Computer Incorporation	1F., No. 30, Ln. 76, Ruiguang Rd., Neihu Dist., Taipei City	Selling of computer peripherals	-	50,000	-	-	-	-	-	Subsidiary; Notes 1 and 3
Holco (BVI) Inc.	S.H.K.	Unit 511 5/F, Tower 1 Silvercord 30 Canton Road Kl	Selling of computer peripherals	1,502,008	1,364,813	-	100	2,126,378	436,154	436,154	Indirect subsidiary; Notes 1 and 7
	S.C.A.	48389 Fremont Blvd Ste 110 Fremont CA 94538-6558	Selling of computer peripherals	25,737	25,737	-	100	25,339	1,561	1,561	Indirect subsidiary; Notes 1 and 7
	KAKI	2F, West Wing, Guanghua Building, Terra 8th Road, Futian District, Shenzhen	Selling of computer peripherals	43,024	43,024	-	75	-	(18,280)	(13,710)	Indirect subsidiary; Notes 1, 5 and 7
	Atron Mall, Inc.	17068 Evergreen PL, City of Industry, CA 91745 U.S.A.	Holding company	7,834	7,834	197,500	100	-	(52,427)	(52,427)	Indirect subsidiary; Notes 1, 5 and 7
Gold Fountain Limited	S.C.G.	17068 Evergreen Place Industry, CA 91745 U.S.A.	Selling of computer peripherals	186,662	186,662	30,000	100	96,680	(26,600)	(26,600)	Indirect subsidiary; Notes 1 and 7
	S.C.H.	Fritz-Strassmann Str. 5 D-25337 Elmshorn, Germany	Selling of computer peripherals	239,815	239,815	-	100	174,377	4,840	4,840	Indirect subsidiary; Notes 1 and 7
	Shuttle International Brazil Informatica Ltda.	Avenida Brigadeiro Faria Lima, 1903-CJ. 143 - Jardim Paulist Ano	Selling of computer peripherals	10,624	10,624	638,085	100	4,773	(2,986)	(2,986)	Indirect subsidiary; Notes 1 and 7
	S.C.M.	6H, West Wing, No. 210 Bldg Terra Technical & Commercial Garden, Terra 4th Road, Shenzhen	Selling of computer peripherals	40,457	40,457	-	100	4,893	5,291	5,291	Indirect subsidiary; Notes 1 and 7
	S.C.J.	7F, Aioisonpo Building, 2-8-11 Sumiyosi Koutou-Ku Tokyo 135-0002, Japan	Selling of computer peripherals	34,658	34,658	1,000	100	19,393	1,762	1,762	Indirect subsidiary; Notes 1 and 7
	S.C.E.	D26, 8 Floor, No. 210 Bldg Terra Technical & Commercial Garden, Terra 4th Road, Shenzhen	Selling of computer peripherals	-	25,736	-	-	-	-	-	Indirect subsidiary; Notes 1 and 4
	S.C.Q.	No. 520, Haoteng Road, Development Zone, Kunshan Jiangsu P.R. China	Selling of computer peripherals	32,010	32,010	-	100	27,522	(653)	(653)	Indirect subsidiary; Notes 1 and 7
	S.C.S.	No. 200, Central Suhong Rd. Integrated Free Trade Zone, Suzhou Industrial Park	Selling of computer peripherals	215,745	215,745	-	100	206,184	35,049	35,049	Indirect subsidiary; Notes 1 and 7
Atron Mall, Inc.	S.C.C.	Santa Clara 301 of 2806 Hue Churaba, Santiago, Chile	Selling of computer peripherals	5,440	5,440	-	75	-	(69,792)	(52,344)	Indirect subsidiary; Notes 1, 5 and 7
S.C.S.	Shanghai Wiwin Information Technology Co., Ltd.	Room 203, No. 10, Lane 198, Zhangheng Rd., Zhongjiang Hi-Tech Park Shanghai 201203, China	Selling of computer peripherals	7,495	7,495	-	30	-	(3,517)	(1,055)	Notes 2 and 6

Note 1: Recognition of investment gains (losses) was based on the investee's audited financial statements.

Note 2: Recognition of investment gains (losses) was based on the investee's unaudited financial statements.

Note 3: Shuttle Computer liquidated and returned all shares to Shuttle on March 2013.

Note 4: S.C.E. liquidated and returned all shares to shuttle on September 2013.

Note 5: The accumulated book value of KAKI, Atron Mall, Inc, and S.C.C. had a credit amount of $1,174 thousand, $39,050 thousand and $39,390 thousand as of December 31, 2013, respectively, and was classified as other liabilities.

Note 6: S.C.S. recognized impairment loss on its investments in Shanghai Wiwin Information Technology Co., Ltd. on September 2013.

Note 7: The amount was eliminated upon consolidation.

SHUTTLE INC. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2013	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2013	Net Income (Loss) of the Investee	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2013	Accumulated Inward Remittance of Earnings as of December 31, 2013
					Outflow	Inflow						
S.C.M.	Selling of computer peripherals	$ 40,457	(Note 1)	$ 40,457	$ -	$ -	$ 40,457	$ 5,291	100	$ 5,291	$ 4,893	$ -
S.C.E.	Selling of computer peripherals	25,736	(Note 1)	25,736	-	-	25,736 (Note 5)	-	-	-	-	-
S.C.Q.	Selling of computer peripherals	32,010	(Note 1)	32,010	-	-	32,010	(653)	100	(653)	27,522	-
S.C.S.	Selling of computer peripherals	215,745	(Note 1)	215,745	-	-	215,745	35,049	100	35,049	206,184	-
KAKI	Selling of computer peripherals	57,125	(Note 1)	43,024	-	-	43,024	(18,280)	75	(13,710)	- (Note 3)	-

Accumulated Investment in Mainland China as of December 31, 2013	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 4)
$364,593	US$16,750,000	$4,270,711×60%=$2,562,427

Note 1: Investments were through a holding company registered in a third region.

Note 2: The investee companies were calculated on audited financial statements for the same period.

Note 3: The accumulated book value had a credit amount of $1,174 thousand as of December 31, 2013 and was classified as other liabilities.

Note 4: Subject to 60% of net asset value of GUC according to the revised “Guidelines Governing the Approval of Investment or Technical Cooperation in Mainland China” issued by the Investment Commission.

Note 5: S.C.E. liquidated and returned all shares to shuttle on September 2013.

Note 6: The amount was eliminated upon consolidation.

SHUTTLE INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Nature of Relationship (Note)	Transaction Details			% to Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
0	Shuttle Inc.	S.C.H.	1	Trade receivables from related parties	$ 158,721	Month end 120 days	2
			1	Sales revenue	452,334	Month end 120 days	3
		S.C.G.	1	Trade receivables from related parties	51,771	Month end 120 days	1
			1	Sales revenue	179,017	Month end 120 days	1
		S.C.J.	1	Trade receivables from related parties	13,933	Month end 120 days	-
			1	Sales revenue	67,512	Month end 120 days	-
		S.C.M.	1	Trade receivables from related parties	13,420	Month end 120 days	-
			1	Sales revenue	20,378	Month end 120 days	-
		S.C.S.	1	Sales revenue	103	Month end 120 days	-
			1	Gain on disposal of property, plant and equipment	68	Month end 120 days	-
			1	Trade receivables from related parties	101	Month end 120 days	-
		S.H.K.	1	Trade receivables from related parties	53,713	Month end 120 days	1
			1	Technical service income	806,317	Month end 120 days	5
			1	Sales revenue	55	Month end 120 days	-
1	S.C.H.	S.C.G.	3	Sales revenue	790	Month end 120 days	-
2	S.C.M.	S.H.K.	3	Sales revenue	53	Month end 120 days	-
			3	Technical service income	89,199	Month end 120 days	1
		S.C.G.	3	Sales revenue	33	Month end 120 days	-
		KAKI	3	Sales revenue	3	Month end 120 days	-
3	S.C.A.	S.H.K.	3	Trade receivables from related parties	17,265	Month end 120 days	-
			3	Other non -operating gains	85,150	Month end 120 days	1
4	S.C.S.	S.H.K.	3	Sales revenue	466,031	Month end 120 days	-
			3	Trade receivables from related parties	872,356	Month end 120 days	10
5	S.H.K.	Shuttle Inc.	2	Sales revenue	15,304	Month end 120 days	-
			2	Trade receivables from related parties	3,705	Month end 120 days	-
		S.C.A.	3	Other non -operating gains	29,360	Month end 120 days	-
		S.C.M.	3	Trade receivables from related parties	166	Month end 120 days	-
			3	Sales revenue	804	Month end 120 days	-
		S.C.S.	3	Sales revenue	1,280	Month end 120 days	-
		KAKI	3	Trade receivables from related parties	2,384	Month end 120 days	-
			3	Sales revenue	25,213	Month end 120 days	-
		S.C.Q.	3	Sales revenue	5,149	Month end 120 days	-
			3	Trade receivables from related parties	322	Month end 120 days	-

(Continued)

No.	Company Name	Related Party	Nature of Relationship (Note)	Transaction Details			% to Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
		S.C.C.	3	Trade receivables from related parties	$ 222,306	Month end 150 days	2
			3	Sales revenue	175,846	Month end 120 days	1
		S.C.H.	3	Sales revenue	13	Month end 120 days	-
6	KAKI	S.H.K.	3	Sales revenue	1,179	Month end 120 days	-
7	S.C.C.	S.H.K.	3	Other non -operating gains	2,676	Month end 120 days	-
		S.C.A.	3	Other non -operating gains	1,247	Month end 120 days	-
		Shuttle Inc.	2	Other non -operating gains	645	Month end 120 days	-
8	S.C.Q.	Shuttle Inc.	2	Sales revenue	32,915	Month end 120 days	-
			2	Trade receivables from related parties	6,092	Month end 120 days	-

Note: Related party transactions are divided into three categories as follows:

1. The Company to subsidiaries.
2. Subsidiaries to subsidiaries.
3. Subsidiaries to the Company.

(Concluded)