

**Standard Foods Corporation and  
Subsidiaries**

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

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Standard Foods Corporation

We have audited the accompanying consolidated balance sheets of Standard Foods Corporation (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 Standard Foods Corporation as of and for the years ended December 31, 2013 and 2012 on which we have issued an unqualified report.

March 26, 2014

### Notice to Readers

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

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

# STANDARD FOODS CORPORATION AND SUBSIDIARIES

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

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 1,359,032	8	\$ 1,530,278	11	\$ 1,717,552	14
Financial assets at fair value through profit or loss - current (Note 7)	-	-	95,525	1	-	-
Available-for-sale financial assets - current (Note 8)	757,337	5	678,046	5	490,125	4
Debt investments with no active market - current (Note 10)	707,548	4	699,602	5	252,915	2
Notes receivable (Note 11)	29,248	-	25,753	-	26,700	-
Trade receivables (Note 11)	3,757,062	24	3,335,585	24	3,347,129	26
Other receivables (Note 11)	171,728	1	64,114	1	40,460	-
Inventories (Note 12)	3,489,168	22	2,855,268	21	2,975,852	24
Biological assets - current	1,967	-	-	-	-	-
Prepayments (Note 13)	1,206,108	8	1,152,366	8	592,796	5
Other current assets (Notes 19 and 34)	164,858	1	290,048	2	5,583	-
Total current assets	11,644,056	73	10,726,585	78	9,449,112	75
<b>NON-CURRENT ASSETS</b>						
Financial assets measured at cost - non-current (Note 9)	145,091	1	180,807	1	214,929	2
Investments accounted for using equity method (Note 14)	-	-	-	-	76,323	1
Property, plant and equipment (Notes 15 and 34)	3,085,188	19	2,182,934	16	2,055,754	16
Investment properties (Note 16 and 34)	262,516	2	265,246	2	268,246	2
Goodwill	558	-	558	-	558	-
Other intangible assets (Note 17)	4,730	-	17,606	-	21,479	-
Biological assets - noncurrent	4	-	-	-	-	-
Deferred tax assets (Note 27)	263,652	2	256,590	2	252,903	2
Long-term prepayment for lease (Note 18)	196,128	1	110,527	1	11,358	-
Other non-current assets (Note 19)	300,501	2	89,885	-	184,998	2
Total non-current assets	4,258,368	27	3,104,153	22	3,086,548	25
<b>TOTAL</b>	<b>\$ 15,902,424</b>	<b>100</b>	<b>\$ 13,830,738</b>	<b>100</b>	<b>\$ 12,535,660</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 20)	\$ 1,241,691	8	\$ 653,014	5	\$ 494,327	4
Short-term bills payable (Note 20)	69,969	-	-	-	-	-
Notes payable (Note 21)	1,652	-	6,312	-	1,241	-
Trade payables (Note 21)	1,266,651	8	1,135,334	8	1,132,434	9
Other payables (Note 22)	1,831,650	12	1,501,563	11	1,494,953	12
Current tax liabilities (Note 27)	128,044	1	244,489	2	219,540	2
Provisions - current (Note 23)	24,359	-	19,835	-	23,373	-
Finance lease payables - current	758	-	728	-	728	-
Other current liabilities (Note 22)	207,221	1	105,545	1	23,861	-
Total current liabilities	4,771,995	30	3,666,820	27	3,390,457	27
<b>NON-CURRENT LIABILITIES</b>						
Deferred tax liabilities (Note 27)	83,634	1	44,990	-	66,345	1
Finance lease payables - non-current	657	-	1,455	-	2,184	-
Accrued pension liabilities (Note 24)	167,046	1	136,313	1	115,826	1
Other non-current liabilities (Note 22)	34,848	-	14,089	-	8,936	-
Total non-current liabilities	286,185	2	196,847	1	193,291	2
Total liabilities	5,058,180	32	3,863,667	28	3,583,748	29
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 25)</b>						
Common stock	6,611,319	42	5,748,973	42	4,636,269	37
Capital surplus	43,620	-	35,240	-	27,130	-
Retained earnings						
Legal reserve	1,505,940	9	1,282,134	9	1,036,298	8
Unappropriated earnings	2,326,179	15	2,726,508	20	2,974,538	24
Total retained earnings	3,832,119	24	4,008,642	29	4,010,836	32
Other equity	239,947	1	56,577	-	150,634	1
Treasury share	(21,182)	-	(21,182)	-	(21,182)	-
Total equity attributable to owners of the Company	10,705,823	67	9,828,250	71	8,803,687	70
<b>NON-CONTROLLING INTERESTS</b>	138,421	1	138,821	1	148,225	1
Total equity	10,844,244	68	9,967,071	72	8,951,912	71
<b>TOTAL</b>	<b>\$ 15,902,424</b>	<b>100</b>	<b>\$ 13,830,738</b>	<b>100</b>	<b>\$ 12,535,660</b>	<b>100</b>

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

# STANDARD FOODS CORPORATION 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 REVENUES				
Sales	\$ 20,379,206	100	\$ 17,853,762	100
OPERATING COSTS				
Cost of goods sold	<u>14,723,320</u>	<u>72</u>	<u>12,413,591</u>	<u>69</u>
GROSS PROFIT	<u>5,655,886</u>	<u>28</u>	<u>5,440,171</u>	<u>31</u>
OPERATING EXPENSES (Note 26)				
Selling and marketing expenses	3,106,699	15	2,540,875	14
General and administrative expenses	459,059	2	420,539	2
Research and development expenses	<u>92,822</u>	<u>1</u>	<u>72,559</u>	<u>1</u>
Total operating expenses	<u>3,658,580</u>	<u>18</u>	<u>3,033,973</u>	<u>17</u>
OPERATING INCOME	<u>1,997,306</u>	<u>10</u>	<u>2,406,198</u>	<u>14</u>
NON-OPERATING INCOME AND EXPENSES (Note 26)				
Other income	82,122	-	230,973	1
Other gains and losses	186,499	1	57,142	1
Finance costs	(17,650)	-	(7,018)	-
Share of profit of associates (Note 14)	<u>-</u>	<u>-</u>	<u>55,734</u>	<u>-</u>
Total non-operating income and expenses	<u>250,971</u>	<u>1</u>	<u>336,831</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	2,248,277	11	2,743,029	16
INCOME TAX EXPENSE (Note 27)	<u>385,422</u>	<u>2</u>	<u>496,735</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>1,862,855</u>	<u>9</u>	<u>2,246,294</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translating foreign operations	236,193	1	(142,804)	(1)
Unrealized gain or loss on available-for-sale financial assets (Note 8)	(14,007)	-	28,731	-
Actuarial loss arising from defined benefit plans	(28,638)	-	(21,856)	-

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# STANDARD FOODS CORPORATION 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	%
Share of the other comprehensive loss of associates	\$ (2,158)	-	\$ (1,063)	-
Income tax relating to the components of other comprehensive income (Note 27)	<u>(31,829)</u>	<u>-</u>	<u>24,810</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>159,561</u>	<u>1</u>	<u>(112,182)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 2,022,416</u>	<u>10</u>	<u>\$ 2,134,112</u>	<u>12</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owner of the Company	\$ 1,859,582	9	\$ 2,241,130	13
Non-controlling interests	<u>3,273</u>	<u>-</u>	<u>5,164</u>	<u>-</u>
	<u>\$ 1,862,855</u>	<u>9</u>	<u>\$ 2,246,294</u>	<u>13</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owner of the Company	\$ 2,018,987	10	\$ 2,129,157	12
Non-controlling interests	<u>3,429</u>	<u>-</u>	<u>4,955</u>	<u>-</u>
	<u>\$ 2,022,416</u>	<u>10</u>	<u>\$ 2,134,112</u>	<u>12</u>
<b>EARNINGS PER SHARE (Note 28)</b>				
Basic	<u>\$ 2.83</u>		<u>\$ 3.41</u>	
Diluted	<u>\$ 2.83</u>		<u>\$ 3.41</u>	

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

(Concluded)

## STANDARD FOODS CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2013 AND 2012 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation											
	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings		Exchange Differences on Translating Foreign Operations	Other Equity		Treasury Stock	Total	Non-controlling Interests	Total Equity
				Unappropriated Earnings	Total		Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total				
BALANCE AT JANUARY 1, 2012	\$ 4,636,269	\$ 27,130	\$ 1,036,298	\$ 2,974,538	\$ 4,010,836	\$ 154,322	\$ (3,688)	\$ 150,634	\$ (21,182)	\$ 8,803,687	\$ 148,225	\$ 8,951,912
Appropriation of 2011 earnings												
Legal reserve	-	-	245,836	(245,836)	-	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	(1,112,704)	(1,112,704)	-	-	-	-	(1,112,704)	-	(1,112,704)
Stock dividends to shareholders	1,112,704	-	-	(1,112,704)	(1,112,704)	-	-	-	-	-	-	-
Adjustment of capital surplus for the Company's cash dividends received by a subsidiary	-	8,110	-	-	-	-	-	-	-	8,110	-	8,110
Cash dividends to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	(14,359)	(14,359)
Net profit for the year ended December 31, 2012	-	-	-	2,241,130	2,241,130	-	-	-	-	2,241,130	5,164	2,246,294
Other comprehensive income (loss) for the year ended December 31, 2012, net of income tax	-	-	-	(17,916)	(17,916)	(119,410)	25,353	(94,057)	-	(111,973)	(209)	(112,182)
Total comprehensive income (loss) for the year ended December 31, 2012	-	-	-	2,223,214	2,223,214	(119,410)	25,353	(94,057)	-	2,129,157	4,955	2,134,112
BALANCE AT DECEMBER 31, 2012	5,748,973	35,240	1,282,134	2,726,508	4,008,642	34,912	21,665	56,577	(21,182)	9,828,250	138,821	9,967,071
Appropriation of 2012 earnings												
Legal reserve	-	-	223,806	(223,806)	-	-	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	(1,149,794)	(1,149,794)	-	-	-	-	(1,149,794)	-	(1,149,794)
Stock dividends to shareholders	862,346	-	-	(862,346)	(862,346)	-	-	-	-	-	-	-
Adjustment of capital surplus for the Company's cash dividends received by a subsidiary	-	8,380	-	-	-	-	-	-	-	8,380	-	8,380
Cash dividends to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	(3,829)	(3,829)
Net profit for the year ended December 31, 2013	-	-	-	1,859,582	1,859,582	-	-	-	-	1,859,582	3,273	1,862,855
Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax	-	-	-	(23,965)	(23,965)	194,248	(10,878)	183,370	-	159,405	156	159,561
Total comprehensive income (loss) for the year ended December 31, 2013	-	-	-	1,835,617	1,835,617	194,248	(10,878)	183,370	-	2,018,987	3,429	2,022,416
BALANCE AT DECEMBER 31, 2013	<u>\$ 6,611,319</u>	<u>\$ 43,620</u>	<u>\$ 1,505,940</u>	<u>\$ 2,326,179</u>	<u>\$ 3,832,119</u>	<u>\$ 229,160</u>	<u>\$ 10,787</u>	<u>\$ 239,947</u>	<u>\$ (21,182)</u>	<u>\$ 10,705,823</u>	<u>\$ 138,421</u>	<u>\$ 10,844,244</u>

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

# STANDARD FOODS CORPORATION AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,248,277	\$ 2,743,029
Adjustments for:		
Depreciation expenses	220,758	191,631
Amortization expenses	38,458	34,379
Impairment loss recognized (reversal of impairment loss) on trade receivables	1,173	(5,657)
Net gain on fair value change of financial assets designated as at fair value through profit or loss	(78,798)	(57,956)
Finance costs	17,650	7,018
Interest income	(36,110)	(40,251)
Dividend income	(19,240)	(167,153)
Share of profit of associates	-	(55,734)
Loss (gain) on disposal of property, plant and equipment	477	(45,436)
Gain on disposal of associates	(18,958)	(3,392)
Impairment loss recognized on financial assets measured at cost	23,319	8,941
Loss on change in fair value less cost to sell biological assets	1,553	2,797
Others	(2,158)	9
Changes in operating assets and liabilities		
Financial assets held for trading	174,323	(37,569)
Notes receivable	(2,392)	321
Trade receivables	(346,776)	(25,174)
Other receivables	(98,050)	(21,485)
Inventories	(566,388)	76,115
Biological assets	(3,479)	(2,797)
Prepayments	(4,319)	(569,058)
Other current assets	(5,408)	(7,247)
Notes payable	(4,660)	5,071
Trade payables	121,471	8,334
Other payables	295,974	24,558
Provisions	4,523	(3,538)
Other current liabilities	94,723	81,479
Accrued pension payable	2,095	(1,372)
Cash generated from operations	2,058,038	2,139,863
Interest received	30,861	37,181
Interest paid	(18,022)	(6,634)
Income tax paid	(502,132)	(472,019)
Net cash generated from operating activities	<u>1,568,745</u>	<u>1,698,391</u>

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# STANDARD FOODS CORPORATION AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2013	2012
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of available-for-sale financial assets	\$ (3,736,628)	\$ (2,062,810)
Proceeds on sale of available-for-sale financial assets	3,670,791	1,900,977
Purchase of debt investments with no active market	(1,484,052)	(699,602)
Proceeds on sale of debt investments with no active market	1,497,479	252,915
Proceeds from sale of financial assets carried at cost	1,179	-
Proceeds from capital reduction of financial assets carried at cost	12,553	23,787
Net cash inflow on disposal of associates at equity method	578	-
Proceeds from capital reduction of financial assets at equity method	-	83,996
Payments for property, plant and equipment	(1,046,238)	(263,904)
Proceeds from disposal of property, plant and equipment	3,255	103,735
Payments for intangible assets	(1,717)	(12,826)
Increase in other financial assets	(19,444)	(276,049)
Decrease in other financial assets	144,786	9,023
Increase in other non-current assets	(250,811)	(61,175)
Increase in long-term lease prepayment	(81,548)	(101,099)
Dividend received from associates	-	46,998
Other dividend received	<u>19,290</u>	<u>167,153</u>
Net cash used in investing activities	<u>(1,270,527)</u>	<u>(888,881)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	540,612	175,470
Increase in short-term bills payable	69,969	-
Decrease in finance lease payables	(768)	(729)
Increase in other financial liabilities	20,240	5,294
Decrease in other financial liabilities	(208)	-
Dividends paid to owners of the Company	(1,141,414)	(1,104,595)
Dividends paid to non-controlling interests	<u>(3,829)</u>	<u>(14,359)</u>
Net cash used in financing activities	<u>(515,398)</u>	<u>(938,919)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>45,934</u>	<u>(57,865)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(171,246)	(187,274)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,530,278</u>	<u>1,717,552</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,359,032</u>	<u>\$ 1,530,278</u>

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

(Concluded)

# STANDARD FOODS CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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

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### 1. GENERAL INFORMATION

Standard Foods Corporation (the “Company”) was incorporated on June 6, 1986. The Company mainly manufactures and sells nutritious foods, edible oil, dairy products and beverage. The Group’s registered address is 5F., No. 136, Sec. 3, Renai Rd., Da’an Dist., Taipei City, Taiwan, Republic of China (ROC).

The Company’s shares have been listed on the Taiwan Stock Exchange (“TSE”) since April 1994.

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

(Continued)

<b>The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

(Concluded)

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

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions for which the grant date is on or after 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 impending initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies:

- 1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

- 2) IFRS 12 "Disclosure of Interests in Other Entities"

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

- 3) IFRS 13 "Fair Value Measurement"

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

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

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

5) Revision to IAS 19 “Employee Benefits”

Revision in 2011

The interest cost and expected return on plan assets are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

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

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

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

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

The Group’s consolidated financial statements for the years ended December 31, 2013 are the Group’s first IFRS consolidated financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 39 for the impact of IFRS conversion on the Group’s consolidated financial statements.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 consolidated financial statements shall prevail. However, the accompanying consolidated financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the FSC for their oversight purposes.

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 and IFRSs as endorsed by the FSC.

b. Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or 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 39.

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; 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.

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 Group.

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) Subsidiary included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership			Remark
			December 31, 2013	December 31, 2012	January 1, 2012	
The Company	Standard Dairy Products Taiwan Limited ("Standard Dairy Products")	Manufacture and sale of dairy products and beverage	100.0	100.0	100.0	-
	Charng Hui Ltd. ("Charng Hui")	Investing	100.0	100.0	100.0	-
	Domex Technology Corporation ("Domex Technology")	Manufacture and sale of computer peripherals and computer appliances	52.0	52.0	52.0	-
	Standard Beverage Company Limited ("Standard Beverage")	Manufacture and sale of beverage	97.1	97.1	97.1	-
	Accession Limited	Investing	100.0	100.0	100.0	-
	Standard Investment (Cayman) Limited (Cayman Standard)	Investing	100.0	100.0	-	In January and July 2012, and May and July 2013, the Company invested US\$9.01 million, US\$21 million, US\$0.035 million, and US\$15 million in Cayman Standard.
	Accession Limited	Shanghai Standard Foods Co., Ltd. ("Shanghai Standard Foods")	Manufacture and sale of edible oil and nutritious foods	100.0	100.0	100.0
Shanghai Standard Foods	Inner Mongolia Jiatai Agriculture Technology Co., Ltd. ("Inner Mongolia Jiatai Agriculture")	Cultivate sunflower seeds	100.0	100.0	100.0	-
Cayman Standard	Standard Corporation (Hong Kong) Limited ("Hong Kong Standard")	Investing	100.0	100.0	-	In January and July 2012, and May and July 2013, Cayman Standard invested US\$9.005 million, US\$21 million, US\$0.015 million, and US\$15 million in Hong Kong Standard.
Hong Kong Standard	Standard Investment (China) Co., Ltd. ("China Standard Investment")	Investing and sale of edible oil and nutritious foods	100.0	100.0	-	In January and July 2012, and September and October 2013, Hong Kong Standard invested US\$9 million, US\$21 million, US\$8.117 million, and RMB42.284 million in China Standard Investment.
China Standard Investment	Standard Foods (China) Co., Ltd. ("China Standard Foods")	Manufacture and sale of edible oil and nutritious foods	100.0	100.0	-	In April 2012 and January, April, September, and October 2013, China Standard Investment invested US\$8 million, US\$12 million, US\$8 million, US\$8.133 million and RMB23.764 million in China Standard Foods.

### 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.

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 the subsidiaries and associates operating 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 which results in the Company's loss of control or significant influence over the entity, all of the exchange differences accumulated in equity attributable to the owners of the Company in respect of that operation are reclassified to profit or loss.

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

f. Inventories

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

g. Investment in associates

An associate is an entity over which the Group has significant influence 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 equity of associates attributable to the Group.

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

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

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

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

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

When the Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's 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.

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

Freehold land is not depreciated.

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

Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives using the straight-line method.

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 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 over the estimated life of the asset.

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. 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.

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

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. 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.

Gain or loss on disposal of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognized in profit or loss when the asset is derecognized.

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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. 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

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

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

1) Financial assets

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

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, held-to-maturity investments or financial assets at fair value through profit or loss.

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

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

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

### iii. Loans and receivables

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

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

### b) Impairment of financial assets

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

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

Impairment loss on financial assets carried at amortized cost 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. In a subsequent period, if 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 was 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. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets 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 notes receivable and trade receivables, where the carrying amount is reduced through the use of an allowance account. When a notes receivable and trade 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 notes receivable and trade 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) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

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.

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to price volatility risk of raw material, including futures.

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

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

o. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale with corresponding liability for returns based on reliable estimate of future returns and past experience and other relevant factors.

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.

2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established and 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 the effective interest rate applicable.

p. Leasing

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

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

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Minimum lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.

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

q. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

r. 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.

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

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 Group's 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 or research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

3) Current and deferred tax for the year

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

## 5. CRITICAL ACCOUNTING 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 to be relevant. Actual results may differ from these estimates.

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

### a. Estimated impairment of trade receivables

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

### 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 in selling products of a similar nature. Changes in market conditions can have a material impact on the estimation of net realizable value.

### c. Recognition and measurement of defined benefit plans

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

### d. Income taxes

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

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Cash on hand	\$ 11,759	\$ 10,963	\$ 13,733
Checking accounts and demand deposits	861,768	813,137	1,048,736
			(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Cash equivalent			
Time deposits with original maturities less than three months	\$ 236,993	\$ 258,935	\$ 68,070
Repurchase agreements collateralized by bonds	<u>248,512</u>	<u>447,243</u>	<u>587,013</u>
	<u>\$ 1,359,032</u>	<u>\$ 1,530,278</u>	<u>\$ 1,717,552</u> (Concluded)

The market rate intervals of cash in bank and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Bank deposits	0.17%-3.60%	0.01%-2.86%	0.05%-3.10%
Repurchase agreement collateralized by bonds	0.62%-0.63%	0.78%-0.80%	0.83%-0.84%

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

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Financial assets at FVTPL - current</u>			
Financial assets held for trading			
Non-derivative financial assets			
Domestic quoted shares	\$ -	\$ 95,525	\$ -

The Group entered into futures contracts during 2013 and 2012 to manage exposures to price volatility risk of raw materials. The contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for using hedge accounting.

As of December 31, 2013, information of outstanding futures contracts held by the Group was as follows:

		December 31, 2013			
Financial Instrument	Type	Quantities (Metric Tons)	Contract Amount (In Thousands of RMB)	Market Price (In Thousands of RMB)	Net Gain (Loss) (In Thousands of RMB)
Soybean oil futures contracts	Sell	1,000	\$3,258	\$3,362	\$(104)

As of December 31, 2013, the margin deposits paid by the Group amounted to \$6,054 thousand, which had been included in other non-current assets.

As of December 31, 2012, the Group did not have outstanding futures contract.

The Group entered into structured time deposits during the years ended December 31, 2013 and 2012 mainly to earn from favorable effects of fluctuations of interest rates.

As of December 31, 2013 and 2012, the Group did not have outstanding structured time deposit.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Current</u>			
Listed shares	\$ 80,866	\$ 69,168	\$ 63,681
Mutual funds	676,471	608,878	396,314
Corporate bonds - Deutsche Bank	<u>-</u>	<u>-</u>	<u>30,130</u>
	<u>\$ 757,337</u>	<u>\$ 678,046</u>	<u>\$ 490,125</u>

In June 2009, the Group bought 3-year corporate bonds at par value of US\$1,000 thousand issued by Deutsche Bank with an effective interest rate of 3%.

## 9. FINANCIAL ASSETS MEASURED AT COST

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Non-current</u>			
Unlisted shares	\$ 71,213	\$ 80,441	\$ 99,125
Mutual funds	<u>73,878</u>	<u>100,366</u>	<u>115,804</u>
	<u>\$ 145,091</u>	<u>\$ 180,807</u>	<u>\$ 214,929</u>
Classified according to financial asset measurement categories			
Available-for-sale financial assets	<u>\$ 145,091</u>	<u>\$ 180,807</u>	<u>\$ 214,929</u>

Management believed that the fair value of the above unlisted shares and mutual funds held by the Group cannot be reliably measured due to the very wide range of reasonable fair value estimates; therefore, the financial assets were measured at cost less impairment at the end of reporting period.

The Group disposed of certain financial assets measured at cost with carrying amount of \$1,415 thousand and recognized disposal loss of \$236 thousand for the year ended December 31, 2013.

## 10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Current</u>			
Time deposits with original maturity of more than 3 months	<u>\$ 707,548</u>	<u>\$ 699,602</u>	<u>\$ 252,915</u>

The market interest rates of the time deposits with original maturity of more than 3 months were 0.80%-3.35%, 0.95%-3.58% and 0.95%-3.50% per annum as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

## 11. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Notes receivable</u>			
Notes receivable - operating	\$ 29,248	\$ 25,753	\$ 26,700
<u>Trade receivables</u>			
Trade receivables	\$ 3,760,765	\$ 3,338,065	\$ 3,355,340
Less: Allowance for impairment loss	<u>(3,703)</u>	<u>(2,480)</u>	<u>(8,211)</u>
	<u>\$ 3,757,062</u>	<u>\$ 3,335,585</u>	<u>\$ 3,347,129</u>
<u>Other receivables</u>			
Accrued revenues	\$ 12,400	\$ 7,421	\$ 4,351
Payment on behalf of others	11,442	7,286	10,549
Others	<u>147,886</u>	<u>49,407</u>	<u>25,560</u>
	<u>\$ 171,728</u>	<u>\$ 64,114</u>	<u>\$ 40,460</u>

The average credit period of receivables from sales of goods was 30-60 days. Allowance for impairment loss was recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience with the counterparties and an analysis of their current financial position.

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

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

	December 31, 2013	December 31, 2012	January 1, 2012
1-30 days	\$ 54,356	\$ 99,950	\$ 86,736
31-90 days	102,279	55,881	66,006
91-180 days	2,637	845	12,796
Over 180 days	<u>3,764</u>	<u>939</u>	<u>18,539</u>
	<u>\$ 163,036</u>	<u>\$ 157,615</u>	<u>\$ 184,077</u>

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

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

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Balance at January 1	\$ 2,480	\$ 8,211
Add: Impairment losses recognized on receivables	1,173	-
Less: Impairment losses reversed	-	(5,657)
Effect of exchange rate change	<u>50</u>	<u>(74)</u>
Balance at December 31	<u>\$ 3,703</u>	<u>\$ 2,480</u>

## 12. INVENTORIES

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Merchandise	\$ 665,254	\$ 525,453	\$ 725,790
Finished goods	1,353,864	1,060,678	1,025,834
Work in progress	220,120	169,816	207,486
Raw materials	1,175,494	1,040,212	961,390
Packing materials	<u>74,436</u>	<u>59,109</u>	<u>55,352</u>
	<u>\$ 3,489,168</u>	<u>\$ 2,855,268</u>	<u>\$ 2,975,852</u>

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2013 included \$13,819 thousand loss on write-downs of inventories, \$28,044 thousand loss on abandonment of inventories and \$6,169 thousand of unallocated overheads. The cost of goods sold for the year ended December 31, 2012 included \$8,862 thousand loss on write-downs of inventories, \$27,954 thousand loss on abandonment of inventories and \$25,287 thousand of unallocated overheads.

## 13. PREPAYMENTS

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Prepayments for suppliers	\$ 898,142	\$ 923,397	\$ 530,533
Prepayments for rental	3,880	7,270	4,989
Prepayments for insurance	7,276	6,603	4,393
Excess business tax paid	78,976	9,781	-
Prepayments for advertisements	53,382	115,870	8,417
Others	<u>164,452</u>	<u>89,445</u>	<u>44,464</u>
	<u>\$ 1,206,108</u>	<u>\$ 1,152,366</u>	<u>\$ 592,796</u>

#### 14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31, 2013	December 31, 2012	January 1, 2012
Investments in associates			
<u>Unlisted Companies</u>			
Standard Industries, LLC	\$ -	\$ -	\$ 76,323
Renewable Resource Technology (Cayman) Co., Ltd. ("RRT")	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,323</u>

At the end of the reporting periods, the Group's ownership interests and voting rights in associates were as follows:

Name of Associate	December 31, 2013	December 31, 2012	January 1, 2012
Standard Industries, LLC	-	-	50.0%
RRT	-	35.5%	35.5%

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

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	<u>\$ -</u>	<u>\$ 26,843</u>	<u>\$ 331,671</u>
Total liabilities	<u>\$ -</u>	<u>\$ 64,517</u>	<u>\$ 200,708</u>
		2013	2012
Revenue		<u>\$ -</u>	<u>\$ 1,465</u>
Profit (loss) for the year		<u>\$ (6,044)</u>	<u>\$ 128,331</u>
Other comprehensive loss		<u>\$ -</u>	<u>\$ (2,126)</u>

The Group discontinued recognition of its share of losses of certain associates. The Group's share of losses of an associate is limited to its interest in that associate which includes any long-term interests that, in substance, form part of the Group's net investment in the associate. The current year and accumulated amounts of unrecognized share of losses of those associates extracted from the relevant audited financial statements of associates were as follows:

	<b>For the Years Ended December 31</b>	
	<u>2013</u>	<u>2012</u>
Unrecognized share of losses of associates for the year	<u>\$ -</u>	<u>\$ 5,969</u>
Accumulated unrecognized share of losses of associates	<u>\$ -</u>	<u>\$ 12,001</u>

Standard Industries, LLC went into liquidation in September 2012.

In January 2013, the Group sold all of its interest in RRT to a third party for proceeds of \$578 thousand and recognized gain on disposal \$578 thousand.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Leased Assets	Other Equipment	Property in Construction	Total
<u>Cost</u>							
Balance at January 1, 2012	\$ 737,512	\$ 1,323,161	\$ 2,527,980	\$ 1,664	\$ 340,157	\$ 34,906	\$ 4,965,380
Additions	-	-	96,829	-	23,366	143,709	263,904
Disposals	(35,107)	(27,324)	(84,208)	-	(13,094)	-	(159,733)
Transferred from prepayment for equipment	-	-	126,933	-	2,455	-	129,388
Reclassified	-	52,029	-	-	-	(52,029)	-
Effect of foreign currency exchange differences	-	(14,000)	(25,180)	-	(3,003)	(16)	(42,199)
Balance at December 31, 2012	<u>\$ 702,405</u>	<u>\$ 1,333,866</u>	<u>\$ 2,642,354</u>	<u>\$ 1,664</u>	<u>\$ 349,881</u>	<u>\$ 126,570</u>	<u>\$ 5,156,740</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2012	\$ -	\$ 662,898	\$ 2,005,311	\$ 560	\$ 240,857	\$ -	\$ 2,909,626
Disposals	-	(15,825)	(73,329)	-	(12,280)	-	(101,434)
Depreciation expense	-	48,687	107,995	277	31,672	-	188,631
Effect of foreign currency exchange differences	-	(5,823)	(15,344)	-	(1,850)	-	(23,017)
Balance at December 31, 2012	<u>\$ -</u>	<u>\$ 689,937</u>	<u>\$ 2,024,633</u>	<u>\$ 837</u>	<u>\$ 258,399</u>	<u>\$ -</u>	<u>\$ 2,973,806</u>
Carrying amount at January 1, 2012	<u>\$ 737,512</u>	<u>\$ 660,263</u>	<u>\$ 522,669</u>	<u>\$ 1,104</u>	<u>\$ 99,300</u>	<u>\$ 34,906</u>	<u>\$ 2,055,754</u>
Carrying amount at December 31, 2012	<u>\$ 702,405</u>	<u>\$ 643,929</u>	<u>\$ 617,721</u>	<u>\$ 827</u>	<u>\$ 91,482</u>	<u>\$ 126,570</u>	<u>\$ 2,182,934</u>
<u>Cost</u>							
Balance at January 1, 2013	\$ 702,405	\$ 1,333,866	\$ 2,642,354	\$ 1,664	\$ 349,881	\$ 126,570	\$ 5,156,740
Additions	-	-	357,437	-	53,965	634,836	1,046,238
Disposals	-	(139)	(77,206)	-	(9,668)	-	(87,013)
Transferred from prepayment for equipment	-	-	34,298	-	2,643	-	36,941
Reclassified	-	717,800	-	-	-	(717,800)	-
Effect of foreign currency exchange differences	-	20,621	38,406	-	4,718	12,261	76,006
Balance at December 31, 2013	<u>\$ 702,405</u>	<u>\$ 2,072,148</u>	<u>\$ 2,995,289</u>	<u>\$ 1,664</u>	<u>\$ 401,539</u>	<u>\$ 55,867</u>	<u>\$ 6,228,912</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2013	\$ -	\$ 689,937	\$ 2,024,633	\$ 837	\$ 258,399	\$ -	\$ 2,973,806
Disposals	-	(138)	(74,156)	-	(8,987)	-	(83,281)
Depreciation expense	-	57,143	122,484	278	38,123	-	218,028
Effect of foreign currency exchange differences	-	9,273	22,892	-	3,006	-	35,171
Balance at December 31, 2013	<u>\$ -</u>	<u>\$ 756,215</u>	<u>\$ 2,095,853</u>	<u>\$ 1,115</u>	<u>\$ 290,541</u>	<u>\$ -</u>	<u>\$ 3,143,724</u>
Carrying amount at January 1, 2013	<u>\$ 702,405</u>	<u>\$ 643,929</u>	<u>\$ 617,721</u>	<u>\$ 827</u>	<u>\$ 91,482</u>	<u>\$ 126,570</u>	<u>\$ 2,182,934</u>
Carrying amount at December 31, 2013	<u>\$ 702,405</u>	<u>\$ 1,315,933</u>	<u>\$ 899,436</u>	<u>\$ 549</u>	<u>\$ 110,998</u>	<u>\$ 55,867</u>	<u>\$ 3,085,188</u>

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

Building	
Main buildings	20-51 years
Electrical and mechanical equipment	8-20 years
Engineering	3-39 years
Others	3-20 years
Equipment	
Main equipment	2-20 years
Engineering	3-20 years
Others	3-15 years
Leased assets	5-10 years
Other equipment	1-15 years

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

## 16. INVESTMENT PROPERTIES

	<u>Completed Investment Property</u>	
	<u>2013</u>	<u>2012</u>
<u>Cost</u>		
Balance at January 1	<u>\$ 318,021</u>	<u>\$ 318,021</u>
Balance at December 31	<u>\$ 318,021</u>	<u>\$ 318,021</u>
<u>Accumulated depreciation and impairment</u>		
Balance at January 1	\$ 52,775	\$ 49,775
Depreciation expense	<u>2,730</u>	<u>3,000</u>
Balance at December 31	<u>\$ 55,505</u>	<u>\$ 52,775</u>
Carrying amount at January 1	<u>\$ 265,246</u>	<u>\$ 268,246</u>
Carrying amount at December 31	<u>\$ 262,516</u>	<u>\$ 265,246</u>

The investment properties held by the Group were depreciated using the straight-line method over the following estimated useful life:

Main buildings	35-51 years
Electrical and mechanical equipment	24-25 years
Engineering	28 years
Others	24 years

The fair value of the investment properties was \$541,501 thousand, \$525,021 thousand and \$518,959 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012. The management of the Group arrived at the fair value amounts by reference to market evidence of transaction prices for similar properties.

All of the Group's investment properties are held under freehold interests. The carrying amounts of investment properties pledged by the Group to secure borrowings granted to the Group are disclosed in Note 34.

## 17. OTHER INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Technical Know-how</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2012	\$ 173,160	\$ 260	\$ 173,420
Additions	12,826	-	12,826
Effect of foreign currency exchange differences	<u>(812)</u>	<u>(11)</u>	<u>(823)</u>
Balance at December 31, 2012	<u>\$ 185,174</u>	<u>\$ 249</u>	<u>\$ 185,423</u>

(Continued)

	<b>Computer Software</b>	<b>Technical Know-how</b>	<b>Total</b>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2012	\$ 151,703	\$ 238	\$ 151,941
Amortization expense	16,660	21	16,681
Effect of foreign currency exchange differences	<u>(795)</u>	<u>(10)</u>	<u>(805)</u>
Balance at December 31, 2012	<u>\$ 167,568</u>	<u>\$ 249</u>	<u>\$ 167,817</u>
Carrying amount at January 1, 2012	<u>\$ 21,457</u>	<u>\$ 22</u>	<u>\$ 21,479</u>
Carrying amount at December 31, 2012	<u>\$ 17,606</u>	<u>\$ -</u>	<u>\$ 17,606</u>
<u>Cost</u>			
Balance at January 1, 2013	\$ 185,174	\$ 249	\$ 185,423
Additions	1,717	-	1,717
Effect of foreign currency exchange differences	<u>1,169</u>	<u>14</u>	<u>1,183</u>
Balance at December 31, 2013	<u>\$ 188,060</u>	<u>\$ 263</u>	<u>\$ 188,323</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2013	\$ 167,568	\$ 249	\$ 167,817
Amortization expense	14,596	-	14,596
Effect of foreign currency exchange differences	<u>1,166</u>	<u>14</u>	<u>1,180</u>
Balance at December 31, 2013	<u>\$ 183,330</u>	<u>\$ 263</u>	<u>\$ 183,593</u>
Carrying amount at January 1, 2013	<u>\$ 17,606</u>	<u>\$ -</u>	<u>\$ 17,606</u>
Carrying amount at December 31, 2013	<u>\$ 4,730</u>	<u>\$ -</u>	<u>\$ 4,730</u>

(Concluded)

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

Computer software	2-3 years
Technical know-how	10 years

## 18. PREPAYMENTS FOR LEASE

As of December 31, 2013, December 31, 2012 and January 1, 2012, prepayments for lease amounted to \$196,128 thousand, \$110,527 thousand and \$11,358 thousand, respectively. The lease is for rights to use land located in mainland China.

## 19. OTHER ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Current</u>			
Time deposits	\$ 147,355	\$ 277,912	\$ 700
Advances to officers	16,568	11,819	3,908
Others	<u>935</u>	<u>317</u>	<u>975</u>
	<u>\$ 164,858</u>	<u>\$ 290,048</u>	<u>\$ 5,583</u>
<u>Non-current</u>			
Prepayments for equipment	\$ 234,742	\$ 50,483	\$ 131,083
Refundable deposits	27,917	22,189	31,790
Others	<u>37,842</u>	<u>17,213</u>	<u>22,125</u>
	<u>\$ 300,501</u>	<u>\$ 89,885</u>	<u>\$ 184,998</u>

## 20. BORROWINGS

### a. Short-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Secured borrowings</u> (Note 34)			
Bank loans	\$ 131,991	\$ 249,491	\$ 40,000
<u>Unsecured borrowings</u>			
Bank loans	<u>1,109,700</u>	<u>403,523</u>	<u>454,327</u>
	<u>\$ 1,241,691</u>	<u>\$ 653,014</u>	<u>\$ 494,327</u>

The range of weighted average effective interest rate on bank loans was 1.20%-5.32%, 1.60%-5.60% and 1.28%-2.20% per annum as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

### b. Short-term bills payable

	December 31, 2013	December 31, 2012	January 1, 2012
Commercial paper	\$ 70,000	\$ -	\$ -
Less: Unamortized discount on commercial paper	<u>(31)</u>	<u>-</u>	<u>-</u>
	<u>\$ 69,969</u>	<u>\$ -</u>	<u>\$ -</u>

Outstanding short-term bills payable were as follows:

December 31, 2013

<b>Financial Institutions</b>	<b>Nominal Amount</b>	<b>Discount Amount</b>	<b>Carrying Value</b>	<b>Interest Rate</b>	<b>Collateral</b>	<b>Carrying Value of Collateral</b>
<u>Commercial paper</u>						
Mega Bills Finance	\$ 40,000	\$ (18)	\$ 39,982	1.30%	-	\$ -
International Bills Finance	<u>30,000</u>	<u>(13)</u>	<u>29,987</u>	1.32%	-	<u>-</u>
	<u>\$ 70,000</u>	<u>\$ (31)</u>	<u>\$ 69,969</u>			<u>\$ -</u>

## 21. NOTES PAYABLE AND TRADE PAYABLES

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<u>Notes payable</u>			
Notes payable - operating	\$ 1,606	\$ 6,282	\$ 1,224
Notes payable - non-operating	<u>46</u>	<u>30</u>	<u>17</u>
	<u>\$ 1,652</u>	<u>\$ 6,312</u>	<u>\$ 1,241</u>
<u>Trade payables</u>			
Trade payables	<u>\$ 1,266,651</u>	<u>\$ 1,135,334</u>	<u>\$ 1,132,434</u>

The average credit period of payables for purchases of goods was 3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 22. OTHER LIABILITIES

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<u>Current</u>			
Other payables			
Payable for purchase of equipment	\$ 184,790	\$ 61,090	\$ 41,721
Payable for commission and rebate	658,042	607,489	590,146
Payable for advertisement	120,443	76,238	143,824
Payable for royalties	24,638	24,721	25,818
Salaries or bonus	200,930	166,048	180,677
Payable for freight	19,128	11,404	32,931
Payable for employee bonus	26,055	28,200	30,975
Payable for remuneration to directors and supervisors	16,736	20,143	22,125
Others	<u>580,888</u>	<u>506,230</u>	<u>426,736</u>
	<u>\$ 1,831,650</u>	<u>\$ 1,501,563</u>	<u>\$ 1,494,953</u>

(Continued)

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Other liabilities			
Advance receipts from customers	\$ 198,788	\$ 100,098	\$ 16,131
Others	<u>8,433</u>	<u>5,447</u>	<u>7,730</u>
	<u>\$ 207,221</u>	<u>\$ 105,545</u>	<u>\$ 23,861</u>
 <u>Non-current</u>			
Other liabilities			
Guarantee deposits	<u>\$ 34,848</u>	<u>\$ 14,089</u>	<u>\$ 8,936</u> (Concluded)

### 23. PROVISIONS

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<u>Current</u>			
Customer returns	<u>\$ 24,359</u>	<u>\$ 19,835</u>	<u>\$ 23,373</u>
		<u>Customer Returns</u>	
		<b>2013</b>	<b>2012</b>
Balance at January 1		\$ 19,835	\$ 23,373
Addition		173,566	171,227
Usage		<u>(169,042)</u>	<u>(174,765)</u>
Balance at December 31		<u>\$ 24,359</u>	<u>\$ 19,835</u>

The provision for customer returns was the estimated product returns that may occur in the year; the estimate was based on historical experience and other relevant factors. The provision was recognized as a reduction of operating revenue in the periods the related goods were sold.

### 24. RETIREMENT BENEFIT PLANS

#### a. Defined contribution plans

The Company and domestic subsidiaries 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 foreign subsidiaries also make contribution in accordance with the local regulations, which is a defined contribution plan.

b. Defined benefit plans

The Company and domestic subsidiaries 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 and domestic subsidiaries of the Group make monthly contributions to their respective pension funds 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 equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the 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 qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Discount rate	1.625%-2.000%	1.250%-1.625%	1.500%-2.000%
Expected return on plan assets	2.000%	1.875%	2.000%
Expected rate of salary increase	1.750%-3.000%	1.500%-3.000%	1.500%-3.000%

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 were as follows:

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Current service cost	\$ 9,295	\$ 10,449
Interest cost	6,638	7,093
Expected return on plan assets	(6,572)	(7,162)
Losses arising from curtailment or settlement	<u>2,300</u>	<u>-</u>
	<b><u>\$ 11,661</u></b>	<b><u>\$ 10,380</u></b>
An analysis by function		
Operating cost	\$ 6,983	\$ 4,899
Marketing expenses	936	1,294
Administration expenses	3,652	4,090
Research and development expenses	<u>90</u>	<u>97</u>
	<b><u>\$ 11,661</u></b>	<b><u>\$ 10,380</u></b>

Actuarial losses recognized in other comprehensive income or loss for the years ended December 31, 2013 and 2012 were \$28,638 thousand and \$21,856 thousand, respectively. The cumulative amount of actuarial losses recognized in other comprehensive income or loss as of December 31, 2013 and 2012 was \$50,494 thousand and \$21,856 thousand, respectively.

The amount included in the consolidated balance sheets in respect of its obligation under its defined benefit plans were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Present value of funded defined benefit obligation	\$ 500,516	\$ 483,510	\$ 469,623
Fair value of plan assets	<u>(333,470)</u>	<u>(347,197)</u>	<u>(353,797)</u>
Accrued pension liabilities	<u>\$ 167,046</u>	<u>\$ 136,313</u>	<u>\$ 115,826</u>

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

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Opening defined benefit obligation	\$ 483,510	\$ 469,623
Current service cost	9,295	10,449
Interest cost	6,638	7,093
Actuarial losses	26,376	18,043
Losses arising from curtailment or settlement	2,300	-
Benefits paid	<u>(27,603)</u>	<u>(21,698)</u>
Closing defined benefit obligation	<u>\$ 500,516</u>	<u>\$ 483,510</u>

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

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Opening fair value of plan assets	\$ 347,197	\$ 353,797
Expected return on plan assets	6,572	7,162
Actuarial losses	(2,262)	(3,813)
Contributions from the employer	9,566	11,749
Benefits paid	<u>(27,603)</u>	<u>(21,698)</u>
Closing fair value of plan assets	<u>\$ 333,470</u>	<u>\$ 347,197</u>

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

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Bank deposits	23%	25%	24%
Equity instruments	45%	37%	41%
Debt instruments	31%	37%	35%
Others	<u>1%</u>	<u>1%</u>	<u>-</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Present value of defined benefit obligation	<u>\$ 500,516</u>	<u>\$ 483,510</u>	<u>\$ 469,623</u>
Fair value of plan assets	<u>\$ 333,470</u>	<u>\$ 347,197</u>	<u>\$ 353,797</u>
Deficit	<u>\$ 167,046</u>	<u>\$ 136,313</u>	<u>\$ 115,826</u>
Experience adjustments on plan liabilities	<u>\$ 59,797</u>	<u>\$ 12,376</u>	<u>\$ -</u>
Experience adjustments on plan assets	<u>\$ 2,618</u>	<u>\$ (8,502)</u>	<u>\$ -</u>

The Company and domestic subsidiaries of the group expect to make a contribution of \$8,870 thousand and \$8,970 thousand, respectively, to the defined benefit plans in 2014 and 2013.

## 25. EQUITY

### a. Share capital

#### 1) Common stock

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Number of shares authorized (in thousands)	<u>680,000</u>	<u>580,000</u>	<u>480,000</u>
Shares authorized	<u>\$ 6,800,000</u>	<u>\$ 5,800,000</u>	<u>\$ 4,800,000</u>
Number of shares issued and fully paid (in thousands)	<u>661,132</u>	<u>574,897</u>	<u>463,627</u>
Shares issued	<u>\$ 6,611,319</u>	<u>\$ 5,748,973</u>	<u>\$ 4,636,269</u>

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

#### 2) Global depositary receipts

As of December 31, 2013, a total of 563,529.8 Global Depositary Receipts (“GDRs”) (representing 2,817,649 shares of the Company’s common stock), each GDR representing five shares of the Company’s common stock, were traded on the Euro MTF Market of the Luxembourg Stock Exchange. Holders of the GDRs may request at any time that the shares represented by the GDRs be transferred to them.

### b. Capital surplus

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Treasury share transactions	<u>\$ 43,620</u>	<u>\$ 35,240</u>	<u>\$ 27,130</u>

Under the Company Law, the capital surplus recognized in treasury stock transactions may be used to offset a deficit. In addition, when the Company has no deficit, such capital surplus may be transferred to capital (limited to a certain percentage of the Company’s paid in capital in a year) or distributed in cash.

c. Retained earnings and dividend policy

According to the Company's revised Articles of Incorporation, effective on June 14, 2013, the following shall be appropriated from the annual net income (less any deficit):

- 1) 10% thereof as legal reserve;
- 2) Special reserve provided or reversed in accordance with the regulations;
- 3) Bonus to employees at no less than 1% and remuneration to directors and supervisors at 1% of the remainder; and
- 4) 30% to 100% of the sum of the remainder and prior years' unappropriated earnings as dividends.

The Company's Articles of Incorporation also prescribe that 30% to 100% of dividends shall be paid in cash; however, if the Company has major investment plans for which external funds are not available, the percentage may be lowered to 5% to 20%.

For the years ended December 31, 2013 and 2012, the bonus to employees was \$23,431 thousand and \$28,200 thousand, respectively, and the remuneration to directors and supervisors was \$16,736 thousand and \$20,143 thousand, respectively. The bonus to employees was 1.4% and the remuneration to directors and supervisors was 1% of the net income for the respective years, minus the legal reserve to be appropriated. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the consolidated financial statements are authorized for issue, the differences are recorded 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 fair value of the shares. For the calculation of the number of shares, the fair value of the shares refer to the closing price (after considering the effect of cash and stock dividends) of the shares on 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, unrealized gain (loss) on available-for-sale financial assets, and the gain or loss on the hedging instrument relating to the effective portion of cash flow hedge) shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated before January 1, 2012 shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

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

Unrealized revaluation increment in the amount of \$23,134 thousand was transferred to retained earnings. The Company had a decrease in retained earnings of \$38,623 thousand that resulted from all IFRSs adjustments; therefore, no special reserve was appropriated.

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

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

The appropriations of earnings for 2012 and 2011 had been approved in the shareholders' meetings on June 14, 2013 and June 6, 2012, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share</u>	
	<u>For the Years Ended</u>		<u>(NT\$)</u>	
	<u>December 31</u>		<u>For the Years Ended</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Legal reserve	\$ 223,806	\$ 245,836		
Cash dividends	1,149,794	1,112,704	\$ 2.0	\$ 2.4
Stock dividends	862,346	1,112,704	1.5	2.4

Bonus to employees and remuneration to directors and supervisors for 2012 and 2011 approved in the shareholders' meetings on June 14, 2013 and June 6, 2012, respectively, were as follows:

	<u>For the Years Ended</u>	
	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Bonus to employees - cash	\$ 28,200	\$ 30,975
Remuneration of directors and supervisors	20,143	22,125

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

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.

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

d. Other equity items

1) Exchange differences on translating foreign operations

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Balance at January 1	\$ 34,912	\$ 154,322
Exchange differences arising on translating foreign operations	236,193	(142,804)
Income tax related to exchange differences on translating net assets of foreign operations	(40,154)	24,277
Share of exchange difference of associates accounted for using the equity method	-	(1,063)
Income tax related to share of exchange difference of associates accounted for using the equity method	-	180
Disposal of share of exchange difference of associates accounted for using equity method	(2,158)	-
Income tax related to disposal of share of exchange difference of associates accounted for using equity method	<u>367</u>	<u>-</u>
Balance at December 31	<u>\$ 229,160</u>	<u>\$ 34,912</u>

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

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Balance at January 1	\$ 21,665	\$ (3,688)
Unrealized gain arising on revaluation of available-for-sale financial assets	4,603	32,092
Income tax related to unrealized gain (loss) on revaluation of available-for-sale financial assets	1,297	(3,326)
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(18,571)	(3,392)
Income tax related to share of unrealized gain on revaluation of available-for-sale financial asset of subsidiaries accounted for using equity method	<u>1,793</u>	<u>(21)</u>
Balance at December 31	<u>\$ 10,787</u>	<u>\$ 21,665</u>

e. Non-controlling interest

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Balance at January 1	\$ 138,821	\$ 148,225
Attributable to non-controlling interests		
Share of profit for the year	3,273	5,164
Unrealized gains (loss) on available-for-sale financial assets	(39)	31

(Continued)

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Actuarial gains (loss) on defined benefit plans	\$ 236	\$ (289)
Income tax related to actuarial gains and losses	(41)	49
Dividends to non-controlling interest by subsidiaries	<u>(3,829)</u>	<u>(14,359)</u>
	<u>\$ 138,421</u>	<u>\$ 138,821</u> (Concluded)

f. Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Held by Subsidiaries (In Thousands of Shares)</b>
Number of shares at January 1, 2012	3,379
Increase during the year	<u>811</u>
Number of shares at December 31, 2012	<u>4,190</u>
Number of shares at January 1, 2013	4,190
Increase during the year	<u>629</u>
Number of shares at December 31, 2013	<u>4,819</u>

For the purpose of maintaining the Company's credit and shareholders' equity, the Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

<b>Name of Subsidiary</b>	<b>Number of Shares Held (In Thousands of Shares)</b>	<b>Carrying Amount</b>	<b>Market Price</b>
<u>December 31, 2013</u>			
Chang Hui	4,819	<u>\$ 21,182</u>	<u>\$ 448,167</u>
<u>December 31, 2012</u>			
Chang Hui	4,190	<u>\$ 21,182</u>	<u>\$ 333,108</u>
<u>January 1, 2012</u>			
Chang Hui	3,379	<u>\$ 21,182</u>	<u>\$ 310,874</u>

The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

## 26. NET PROFIT

Net profit includes:

a. Other income

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Operating lease rental income		
Investment properties	\$ 26,772	\$ 23,569
Interest income		
Bank deposits	36,110	39,865
Available-for-sale financial assets	<u>-</u>	<u>386</u>
	<u>36,110</u>	<u>40,251</u>
Dividends	<u>19,240</u>	<u>167,153</u>
	<u>\$ 82,122</u>	<u>\$ 230,973</u>

b. Other gains and losses

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Gain/(loss) on disposal of property, plant and equipment	\$ (477)	\$ 45,436
Gain on disposal of associates	18,958	3,392
Net foreign exchange gains/(losses)	26,847	(10,752)
Net gain/(loss) arising on financial assets designated as at fair value through profit or loss	78,798	57,956
Impairment loss arising on financial assets measured at cost	(23,319)	(8,941)
Government grants	82,126	-
Others	<u>3,566</u>	<u>(29,949)</u>
	<u>\$ 186,499</u>	<u>\$ 57,142</u>

c. Finance costs

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Interest on bank loans	\$ 17,542	\$ 6,870
Interest on obligations under finance leases	<u>108</u>	<u>148</u>
	<u>\$ 17,650</u>	<u>\$ 7,018</u>

d. Impairment loss on financial assets (reversal of impairment losses)

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Trade receivables	\$ 1,173	\$ (5,657)
Financial assets measured at cost	<u>23,319</u>	<u>8,941</u>
	<u>\$ 24,492</u>	<u>\$ 3,284</u>

e. Depreciation and amortization

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Property, plant and equipment	\$ 218,028	\$ 188,631
Investment property	2,730	3,000
Intangible assets (included in operating costs/operating expense)	14,596	16,681
Long-term prepayment	20,023	17,375
Long-term prepayment for lease	<u>3,839</u>	<u>323</u>
	<u>\$ 259,216</u>	<u>\$ 226,010</u>
 An analysis of deprecation by function		
Operating costs	\$ 168,120	\$ 146,600
Operating expenses	49,908	42,031
Non-operating revenue and expense	<u>2,730</u>	<u>3,000</u>
	<u>\$ 220,758</u>	<u>\$ 191,631</u>
 An analysis of amortization by function		
Operating costs	\$ 18,161	\$ 12,866
Operating expenses	<u>20,297</u>	<u>21,513</u>
	<u>\$ 38,458</u>	<u>\$ 34,379</u>

f. Operating expenses directly related to investment properties

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Direct operating expenses of investment properties that generated rental income	\$ 4,728	\$ 5,376
Direct operating expenses of investment properties that did not generated rental income	<u>320</u>	<u>-</u>
	<u>\$ 5,048</u>	<u>\$ 5,376</u>

g. Employee benefits expense

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Post-employment benefits (see Note 24)		
Defined contribution plans	\$ 31,087	\$ 29,507
Defined benefit plans	<u>11,661</u>	<u>10,380</u>
	42,748	39,887
Termination benefits	1,421	5,054
Other employee benefits	<u>1,454,570</u>	<u>1,346,473</u>
Total employee benefits expense	<u>\$ 1,498,739</u>	<u>\$ 1,391,414</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 665,889	\$ 624,721
Operating expenses	<u>832,850</u>	<u>766,693</u>
	<u>\$ 1,498,739</u>	<u>\$ 1,391,414</u>

h. Gain or loss on foreign currency exchange

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Foreign exchange gains	\$ 107,085	\$ 17,324
Foreign exchange losses	<u>(80,238)</u>	<u>(28,076)</u>
	<u>\$ 26,847</u>	<u>\$ (10,752)</u>

i. Impairment losses on non-financial assets

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Inventories (included in operating costs)	<u>\$ 13,819</u>	<u>\$ 8,862</u>

## 27. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Current tax		
In respect of the current year	\$ 379,554	\$ 464,820
Income tax expense of unappropriated earnings	378	1,511
In respect of prior periods	<u>5,737</u>	<u>30,636</u>
	385,669	496,967
Deferred tax		
In respect of the current year	<u>(247)</u>	<u>(232)</u>
Income tax expense recognized in profit or loss	<u>\$ 385,422</u>	<u>\$ 496,735</u>

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

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Profit before tax	<u>\$ 2,248,277</u>	<u>\$ 2,743,029</u>
Income tax expense calculated at the statutory rate	\$ 373,486	\$ 413,274
Nondeductible expenses in determining taxable income	10,563	93,739
Tax-exempt income	(11,161)	(39,929)
Unrealized temporary difference and loss carryforwards	6,419	(2,496)
Additional income tax on unappropriated earnings	378	1,511
Adjustments for prior years' tax	<u>5,737</u>	<u>30,636</u>
Income tax expense recognized in profit or loss	<u>\$ 385,422</u>	<u>\$ 496,735</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC, while the applicable tax rate used by subsidiaries in China is 25%.

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

b. Income tax recognized in other comprehensive income

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<u>Deferred tax</u>		
In respect of the current year:		
Translation of foreign operations	\$ 40,154	\$ (24,277)
Unrealized gains (loss) on available-for-sale financial assets	(1,297)	3,326
Actuarial gains and losses on defined benefit plan	(4,868)	(3,700)
Share of other comprehensive income of associates	<u>-</u>	<u>(180)</u>
	<u>33,989</u>	<u>(24,831)</u>
Arising on income and expenses reclassified from equity to profit or loss:		
On disposal of available-for-sale financial assets	(1,793)	21
On disposal of exchange difference of associates	<u>(367)</u>	<u>-</u>
	<u>(2,160)</u>	<u>21</u>
Total income tax recognized in other comprehensive income	<u>\$ 31,829</u>	<u>\$ (24,810)</u>

c. Current tax assets and liabilities

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Current tax assets			
Tax refund receivable (included in other receivables)	<u>\$ 21</u>	<u>\$ 7</u>	<u>\$ -</u>
Current tax liabilities			
Income tax payable	<u>\$ 128,044</u>	<u>\$ 244,489</u>	<u>\$ 219,540</u>

d. 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

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Loss on foreign investment	\$ 212,794	\$ 2,842	\$ -	\$ 215,636
Defined benefit obligation	22,668	(1,092)	4,868	26,444
Deferred sales return and allowance	7,445	586	-	8,031
Allowance for inventory loss	3,348	2,116	-	5,464
Available-for-sale financial assets	-	-	44	44
Others	<u>10,335</u>	<u>(2,302)</u>	<u>-</u>	<u>8,033</u>
	<u>\$ 256,590</u>	<u>\$ 2,150</u>	<u>\$ 4,912</u>	<u>\$ 263,652</u>

Deferred tax liabilities

Temporary differences				
Reverse for land value increment tax	\$ 33,685	\$ -	\$ -	\$ 33,685
Exchange difference on foreign operations	7,151	-	39,787	46,938
Available-for-sale financial assets	3,046	-	(3,046)	-
Others	<u>1,108</u>	<u>1,903</u>	<u>-</u>	<u>3,011</u>
	<u>\$ 44,990</u>	<u>\$ 1,903</u>	<u>\$ 36,741</u>	<u>\$ 83,634</u>

For the year ended December 31, 2012

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Loss on foreign investment	\$ 216,407	\$ (3,613)	\$ -	\$ 212,794
Defined benefit obligation	18,552	416	3,700	22,668
Deferred sales return and allowance	6,037	1,408	-	7,445
Allowance for inventory loss	2,924	424	-	3,348
Available-for-sale financial assets	301	-	(301)	-
Others	<u>8,682</u>	<u>1,653</u>	<u>-</u>	<u>10,335</u>
	<u>\$ 252,903</u>	<u>\$ 288</u>	<u>\$ 3,399</u>	<u>\$ 256,590</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Reverse for land value increment tax	\$ 33,685	\$ -	\$ -	\$ 33,685
Exchange difference on foreign operations	31,608	-	(24,457)	7,151
Available-for-sale financial assets	-	-	3,046	3,046
Others	<u>1,052</u>	<u>56</u>	<u>-</u>	<u>1,108</u>
	<u>\$ 66,345</u>	<u>\$ 56</u>	<u>\$ (21,411)</u>	<u>\$ 44,990</u> (Concluded)

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31, 2013	December 31, 2012	January 1, 2012
Loss carryforwards			
Expire in 2012	\$ -	\$ -	\$ 35,532
Expire in 2013	-	265,860	290,142
Expire in 2014	30,304	82,821	86,080
Expire in 2015	4,281	43,736	44,631
Expire in 2016	12,681	13,788	14,275
Expire in 2017	1,839	1,796	1,826
Expire in 2018	2,154	2,154	2,154
Expire in 2020	1,931	1,931	1,931
Expire in 2021	<u>1,117</u>	<u>1,117</u>	<u>1,117</u>
	<u>\$ 54,307</u>	<u>\$ 413,203</u>	<u>\$ 477,688</u>
Deductible temporary differences	<u>\$ 20,758</u>	<u>\$ 25,311</u>	<u>\$ 21,441</u>

- f. Information about tax-exemption

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

<u>Expansion</u>	<u>Tax-exemption Period</u>
The company 2009 capital increase expansion project	2011-2015
Standard dairy 2009 capital increase expansion project	2012-2016

g. Integrated income tax

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	\$ -	\$ 1,963	\$ 1,963
Unappropriated earnings generated on and after January 1, 1998	<u>2,326,179</u>	<u>2,724,545</u>	<u>2,972,575</u>
	<u>\$ 2,326,179</u>	<u>\$ 2,726,508</u>	<u>\$ 2,974,538</u>
Imputation credit accounts	<u>\$ 355,688</u>	<u>\$ 320,408</u>	<u>\$ 343,187</u>

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 are calculated based on the creditable ratio as of the date of dividend distribution. Because the Company is unable to predict the amount of the imputation credits to be transferred from investees before the dividend distribution date, the creditable ratio for distribution of earnings of 2013 can not be reasonably estimated. The creditable ratio for distribution of earnings of 2012 was 19.61%.

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

h. Income tax assessments

The tax returns of the Company through 2010 have been assessed by the tax authorities.

The tax returns of Domex Technology, Charng Hui, and Standard Beverage through 2011 have been assessed by the tax authorities.

The tax returns of Standard Dairy Products through 2011 have been assessed by the tax authorities. Standard Dairy Products disagreed about the tax authorities' assessment of its 2011 tax returns, now, applying for administrative remedy. Nevertheless, it would not occur significant loss because of above mentioned.

## 28. EARNINGS PER SHARE

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on July 23, 2013. This adjustment caused the basic and diluted after-tax earnings per share for the year ended December 31, 2012 to decrease from \$3.92 to \$3.41 both.

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

## Net Profit for the Year

	For the Years Ended December 31	
	2013	2012
Profit for the period attributable to owners of the Company	\$ 1,859,582	\$ 2,241,130
Effect of potentially dilutive ordinary shares:		
Bonus issue to employee	<u>          -</u>	<u>          -</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,859,582</u>	<u>\$ 2,241,130</u>

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

	For the Years Ended December 31	
	2013	2012
Weighted average number of ordinary shares in computation of basic earnings per share	656,313	656,313
Effect of potentially dilutive ordinary shares:		
Bonus issue to employees	<u>      412</u>	<u>      633</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>656,725</u>	<u>656,946</u>

If the Company has the option to settle bonuses paid to employees in cash or shares, the Company assumes the entire amount of the bonus would be settled in shares and the resulting potential shares are 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 is 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.

## 29. GOVERNMENT GRANTS

In November 2013, the Group received a government grant of \$81,211 thousand for marketing purpose. The amount was recognized as deferred revenue when received and transferred to other gains and losses when marketing expenses are incurred. The Group recognized \$81,211 thousand in other gains and losses in 2013.

## 30. OPERATING LEASE ARRANGEMENTS

### a. The Group as lessee

Operating leases relate to leases of land and building with lease terms between 1 and 20 years. The Company does not have a bargain purchase option to acquire the leased land and building at the expiration of the lease periods.

Domex Technology leases a parcel of land from the HsinChu Science Park Administration. The operating lease expires on August 2019 and can be renewed upon expiration.

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

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Not later than 1 year	\$ 36,053	\$ 35,709	\$ 33,974
Later than 1 year and not later than 5 years	27,241	51,885	44,385
Later than 5 years	<u>1,684</u>	<u>12,474</u>	<u>19,860</u>
	<u>\$ 64,978</u>	<u>\$ 100,068</u>	<u>\$ 98,219</u>

The lease payment recognized in profit or loss for the current period was as follows:

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Minimum lease payment	<u>\$ 67,148</u>	<u>\$ 54,689</u>

b. The Group as lessor

Operating leases relate to the investment property owned by the Company with lease terms for 2 years. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

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

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Not later than 1 year	\$ 14,956	\$ 24,064	\$ 24,353
Later than 1 year and not later than 5 years	<u>-</u>	<u>20,233</u>	<u>42,086</u>
	<u>\$ 14,956</u>	<u>\$ 44,297</u>	<u>\$ 66,439</u>

### 31. CAPITAL MANAGEMENT

The Group's capital management objective is to ensure financial resources are available and operating plans are in place for working capital, capital expenditures, research and development expenses, refund liabilities and dividend disbursement, etc. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

## 32. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments

#### 1) 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. 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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Available-for-sale financial assets				
Listed shares				
Equity securities	\$ 80,866	\$ -	\$ -	\$ 80,866
Mutual funds	<u>676,471</u>	<u>-</u>	<u>-</u>	<u>676,471</u>
	<u>\$ 757,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 757,337</u>

#### December 31, 2012

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading				
Securities listed				
Equity securities	<u>\$ 95,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,525</u>
Available-for-sale financial assets				
Listed shares				
Equity securities	\$ 69,168	\$ -	\$ -	\$ 69,168
Mutual funds	<u>608,878</u>	<u>-</u>	<u>-</u>	<u>608,878</u>
	<u>\$ 678,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 678,046</u>

January 1, 2012

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Available-for-sale financial assets				
Listed shares				
Equity securities	\$ 63,681	\$ -	\$ -	\$ 63,681
Debt investment	30,130	-	-	30,130
Mutual funds	<u>396,314</u>	<u>-</u>	<u>-</u>	<u>396,314</u>
	<u>\$ 490,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 490,125</u>

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2013 and 2012.

2) 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.
- c) The fair values of other financial assets and financial liabilities (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

b. Categories of financial instruments

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<u>Financial assets</u>			
Fair value through profit or loss			
Held for trading	\$ -	\$ 95,525	\$ -
Loans and receivables (1)	6,052,944	5,955,433	5,417,246
Available-for-sale financial assets (2)	902,428	858,853	705,054
<u>Financial liabilities</u>			
Amortized cost (3)	2,673,020	1,873,319	1,682,484

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade receivables, other receivables and other financial assets.
- 2) The balances included the carrying amount of available-for-sale financial assets measured at cost.
- 3) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, notes payable, trade payables, finance lease payables and other financial liabilities.

c. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, equity investments, mutual funds, debt investments with no active market, trade receivables, trade payables, and loans. The Group's Corporate Treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

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

a) Foreign currency risk

The Group's foreign currency risk arises from its foreign currency monetary assets and liabilities. The Group watches out for the fluctuation of market exchange rate, and takes appropriate actions to manage the exchange rate risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities exposed to foreign currency risk at the end of the reporting period are set out in Note 37.

Sensitivity analysis

The Group was mainly exposed to the RMB and USD.

The following table details the Group's sensitivity to a 3% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. A change of 3% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 3% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with New Taiwan dollars weakening 3% against the relevant currency. For a 3% strengthening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	RMB		USD	
	For the Years Ended December 31		For the Years Ended December 31	
	2013	2012	2013	2012
Profit or loss	\$ 13,547 (i)	\$ 1 (i)	\$(36,051) (ii)	\$ 18,437 (ii)

i. This was mainly attributable to the exposure of outstanding RMB bank deposits, which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure of outstanding USD bank deposits, trade receivables, bank loans, and trade payables, which were not hedged at the end of the reporting period.

The Group's sensitivity about foreign currency increased during the current year mainly due to the increase in RMB bank deposits and the addition of USD purchases which result in higher USD bank loans and trade payables.

b) Interest rate risk

The Group was exposed to interest rate risk because the Group held deposits at fixed rate, repurchase agreements collateralized by bonds and borrowed funds at both fixed and floating interest rates. The Group pays attention to the fluctuation of exchange rate in the market, and takes appropriate actions to manage the exchange rate risk.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting periods were as follows.

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Fair value interest rate risk			
Financial assets	\$ 1,193,753	\$ 1,683,692	\$ 938,828
Financial liabilities	184,599	292,585	2,912
Cash flow interest rate risk			
Financial liabilities	1,058,507	362,612	494,327

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2013 and 2012 would decrease/increase by \$10,585 thousand and \$3,626 thousand, respectively.

The Group's sensitivity to interest rates increased during the current year mainly due to the increase in variable rate debt instruments.

c) Other price risk

The Group was exposed to equity price risk due to its investments in listed equity securities and mutual funds. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax profit for the year ended December 31, 2012 would have increased/decreased by \$955 thousand, as a result of the changes in fair value of held-for-trading investments which have been impaired, and the pre-tax other comprehensive income for the years ended December 31, 2013 and 2012 would increase/decrease by \$7,573 thousand and \$6,780 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

The Group's sensitivity to prices increased during the current year mainly due to the increase in available-for-sale financial assets.

## 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could be the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts.

The Group's concentration of credit risk of 36%, 43% and 46% in total trade receivables as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, was related to the Group's four largest customers.

## 3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. The Group had available unutilized bank loan facilities in the amounts of \$5,229,891 thousand, \$6,247,536 thousand and \$5,475,245 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

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

### December 31, 2013

	<b>Weighted Average Effective Interest Rate (%)</b>	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	\$ 121,935	\$ 242,027	\$ 1,089,131	\$ 34,848
Finance lease liabilities	5.44%	73	146	604	658
Variable interest rate liabilities	1.44%	162,850	146,808	739,833	-
Fixed interest rate liabilities	3.21%	<u>230,308</u>	<u>51,208</u>	<u>1,269</u>	-
		<u>\$ 514,241</u>	<u>\$ 439,608</u>	<u>\$ 1,828,220</u>	<u>\$ 35,506</u>

December 31, 2012

	<b>Weighted Average Effective Interest Rate (%)</b>	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	\$ 174,682	\$ 206,958	\$ 821,096	\$ 14,089
Finance lease liabilities	5.44%	73	146	657	1,539
Variable interest rate liabilities	4.27%	281,298	-	88,130	-
Fixed interest rate liabilities	1.70%	<u>469</u>	<u>-</u>	<u>294,898</u>	<u>-</u>
		<u>\$ 456,522</u>	<u>\$ 207,104</u>	<u>\$ 1,204,781</u>	<u>\$ 15,628</u>

January 1, 2012

	<b>Weighted Average Effective Interest Rate (%)</b>	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	-	\$ 224,950	\$ 193,418	\$ 757,028	\$ 8,936
Finance lease liabilities	5.44%	73	146	657	2,385
Variable interest rate liabilities	1.85%	<u>40,925</u>	<u>151,853</u>	<u>307,062</u>	<u>-</u>
		<u>\$ 265,948</u>	<u>\$ 345,417</u>	<u>\$ 1,064,747</u>	<u>\$ 11,321</u>

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

### 33. TRANSACTIONS WITH RELATED PARTIES

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

#### Compensation of key management personnel

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Short-term employee benefits	\$ 21,642	\$ 24,187
Post-employment benefits	<u>717</u>	<u>725</u>
	<u>\$ 22,359</u>	<u>\$ 24,912</u>

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

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

The following assets were provided as collateral for bank borrowings:

	December 31, 2013	December 31, 2012	January 1, 2012
Time deposits (included in other current assets)	\$ 147,355	\$ 277,912	\$ 700
Properties, machinery and equipment, net	337,556	355,165	372,691
Investment properties, net	<u>81,736</u>	<u>82,967</u>	<u>85,243</u>
	<u>\$ 566,647</u>	<u>\$ 716,044</u>	<u>\$ 458,634</u>

### 35. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2013, the Group had the following significant commitments and contingencies:

- a. The Company has entered into a license agreement with The Quaker Oats Company (“Quaker”) for a period ending July 11, 2024. The agreement provides that the Company may use Quaker’s trademark, and process, manufacture, market and sell Quaker baby cereal, oatmeal, fruit cereal, ready-to-eat cereal, sesame paste, milk powder and other cereal products in the ROC. In consideration of the above, the Company shall pay Quaker royalties at an agreed percentage of net sales (as defined).
- b. Unused letters of credit of approximately US\$46,000 thousand, RMB31,000 thousand and JPY88,000 thousand.
- c. Commitments for purchase of properties of approximately \$176,000 thousand.

### 36. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On March 26, 2014, board of directors of the Company determined the investment projects in mainland China. The Company will invest US\$35,000 thousand in Cayman Standard, and Cayman Standard will invest US\$35,000 thousand in Hong Kong Standard. Hong Kong Standard will invest US\$35,000 thousand in China Standard Investment. Then China Standard Investment will invest US\$15,000 thousand in China Standard Foods.

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

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

December 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,846	29.81 (USD:NTD)	\$ 84,804
USD	1,359	6.10 (USD:RMB)	40,523
RMB	91,799	4.92 (RMB:NTD)	451,557

(Continued)

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
EUR	\$ 2	41.09 (EUR:NTD)	\$ 91
AUD	5,781	26.59 (AUD:NTD)	<u>153,686</u>
			<u>\$ 730,661</u>
<b>Non-monetary items</b>			
USD	3,320	29.81 (USD:NTD)	\$ 98,614
USD	4,798	6.10 (USD:RMB)	143,014
EUR	325	41.09 (EUR:NTD)	<u>13,360</u>
			<u>\$ 254,988</u>
<b><u>Financial liabilities</u></b>			
<b>Monetary items</b>			
USD	1,500	29.81 (USD:NTD)	\$ 44,730
USD	43,023	6.10 (USD:RMB)	1,282,299
EUR	916	41.09 (EUR:NTD)	<u>37,619</u>
			<u>\$ 1,364,648</u>
			(Concluded)
<b><u>December 31, 2012</u></b>			
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<b><u>Financial assets</u></b>			
<b>Monetary items</b>			
USD	\$ 9,882	29.040 (USD:NTD)	\$ 286,960
USD	32,886	6.285 (USD:RMB)	954,996
RMB	10	4.620 (RMB:NTD)	47
EUR	1,002	38.490 (EUR:NTD)	38,569
AUD	59	30.170 (AUD:NTD)	<u>1,767</u>
			<u>\$ 1,282,339</u>
<b>Non-monetary items</b>			
USD	7,527	29.040 (USD:NTD)	\$ 218,608
USD	7,108	6.285 (USD:RMB)	<u>206,415</u>
			<u>\$ 425,023</u>
<b><u>Financial liabilities</u></b>			
<b>Monetary items</b>			
USD	321	29.040 (USD:NTD)	\$ 9,341
USD	20,972	6.285 (USD:RMB)	618,045
EUR	34	38.490 (EUR:NTD)	1,309
AUD	423	30.170 (AUD:NTD)	<u>12,769</u>
			<u>\$ 641,464</u>

January 1, 2012

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 11,291	30.275 (USD:NTD)	\$ 341,847
USD	11,511	6.298 (USD:RMB)	348,505
RMB	10	4.807 (RMB:NTD)	48
EUR	547	39.180 (EUR:NTD)	21,425
AUD	53	30.740 (AUD:NTD)	<u>1,621</u>
			<u>\$ 713,446</u>
Non-monetary items			
USD	9,375	30.275 (USD:NTD)	\$ 283,841
USD	6,787	6.298 (USD:RMB)	<u>250,491</u>
			<u>\$ 534,332</u>
<u>Financial liabilities</u>			
Monetary items			
USD	453	30.275 (USD:NTD)	\$ 13,712
USD	22,972	6.298 (USD:RMB)	695,481
EUR	69	39.410 (EUR:NTD)	2,701
AUD	508	30.740 (AUD:NTD)	<u>15,616</u>
			<u>\$ 727,510</u>

### 38. SEGMENT INFORMATION

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

- Standard Foods segment - the Company
- Standard Dairy Products segment - Standard Dairy Products
- China Standard segment - Shanghai Standard, China Standard Investment and China Standard Foods
- Other segments - other than the above corporation

#### a. Operating segment information:

	Standard Foods Segment	Standard Dairy Products Segment	China Standard Segment	Other Segments	Adjustments and Eliminations	Consolidated
<u>Year ended December 31, 2013</u>						
Sales from external customers	\$ 10,060,946	\$ 1,547,037	\$ 8,511,450	\$ 259,773	\$ -	\$ 20,379,206
Sales among intersegments	<u>1,092,091</u>	<u>713,237</u>	<u>-</u>	<u>8,314</u>	<u>(1,813,642)</u>	<u>-</u>
Total sales	<u>\$ 11,153,037</u>	<u>\$ 2,260,274</u>	<u>\$ 8,511,450</u>	<u>\$ 268,087</u>	<u>\$ (1,813,642)</u>	<u>\$ 20,379,206</u>

(Continued)

	Standard Foods Segment	Standard Dairy Products Segment	China Standard Segment	Other Segments	Adjustments and Eliminations	Consolidated
Interest income	\$ 19,938	\$ 438	\$ 11,853	\$ 3,881	\$ -	\$ 36,110
Financial cost	\$ 929	\$ 31	\$ 15,398	\$ 1,292	\$ -	\$ 17,650
Depreciation expense	\$ 119,461	\$ 27,478	\$ 57,372	\$ 16,447	\$ -	\$ 220,758
Amortization expense	\$ 24,628	\$ 5,198	\$ 2,133	\$ 6,499	\$ -	\$ 38,458
Other important non-cash items impairment loss on assets	\$ 27,120	\$ 1,086	\$ 8,129	\$ 1,976	\$ -	\$ 38,311
Operating segment income (loss)	\$ 2,134,464	\$ 222,265	\$ (118,333)	\$ 14,383	\$ (4,502)	\$ 2,248,277
Unallocated amount						-
Income before income tax						\$ 2,248,277
<b>Year ended December 31, 2012</b>						
Sales from external customers	\$ 10,093,438	\$ 1,335,640	\$ 6,173,227	\$ 251,457	\$ -	\$ 17,853,762
Sales among intersegments	917,697	680,652	-	11,711	(1,610,060)	-
Total sales	\$ 11,011,135	\$ 2,016,292	\$ 6,173,227	\$ 263,168	\$ (1,610,060)	\$ 17,853,762
Interest income	\$ 11,073	\$ 594	\$ 25,619	\$ 2,965	\$ -	\$ 40,251
Financial cost	\$ 148	\$ 43	\$ 6,480	\$ 347	\$ -	\$ 7,018
Depreciation expense	\$ 96,107	\$ 27,161	\$ 52,061	\$ 16,302	\$ -	\$ 191,631
Amortization expense	\$ 29,412	\$ 3,399	\$ 1,568	\$ -	\$ -	\$ 34,379
Share of loss on associates at equity method	\$ 55,734	\$ -	\$ -	\$ -	\$ -	\$ 55,734
Other important non-cash items impairment loss on assets	\$ 10,373	\$ 1,065	\$ 3,601	\$ 2,764	\$ -	\$ 17,803
Operating segment income	\$ 2,488,378	\$ 221,116	\$ 11,899	\$ 20,891	\$ 745	\$ 2,743,029
Unallocated amount						-
Income before income tax						\$ 2,743,029

(Concluded)

b. Revenue from major products

The following is an analysis of the Company and subsidiaries' sales from major products:

	For the Years Ended December 31	
	2013	2012
Nutritious foods	\$ 9,777,205	\$ 9,669,768
Cooking products	9,928,273	7,474,040
Others	673,728	709,955
	<u>\$ 20,379,206</u>	<u>\$ 17,853,762</u>

c. Geographical information:

The Company and subsidiaries' sales from external customers by operating regions and their noncurrent assets by locations 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
Taiwan	\$ 11,863,068	\$ 11,680,535	\$ 2,104,349	\$ 1,987,651	\$ 2,003,290
Mainland China	8,516,138	6,173,227	1,716,801	656,358	506,755
	<u>\$ 20,379,206</u>	<u>\$ 17,853,762</u>	<u>\$ 3,821,150</u>	<u>\$ 2,644,009</u>	<u>\$ 2,510,045</u>

Non-current assets exclude financial instruments, goodwill, and deferred tax assets.

d. Information about major customers:

Sales to any individual customer which exceeded 10% of consolidated net sales for the years ended December 31, 2013 and 2012 are summarized as follows:

	<b>For the Years Ended December 31</b>			
	<b>2013</b>		<b>2012</b>	
	<b>Amount</b>	<b>% of Consolidated Net Sales</b>	<b>Amount</b>	<b>% of Consolidated Net Sales</b>
Customer A	<u>\$ 3,239,932</u>	15.9	<u>\$ 3,434,594</u>	19.2

**39. 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 consolidated 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

<b>ROC GAAP</b>		<b>Effect of Transition to IFRSs</b>		<b>IFRSs</b>		<b>Note</b>
<b>Item</b>	<b>Amount</b>	<b>Presentation Difference</b>	<b>Recognition and Measurement Difference</b>	<b>Amount</b>	<b>Item</b>	
Current assets						
Cash and cash equivalents	\$ 1,970,467	\$ (252,915)	-	\$ 1,717,552	Cash and cash equivalents	5) a)
Available-for-sale financial assets - current	490,125	-	-	490,125	Available-for-sale financial assets - current	
-	-	252,915	-	252,915	Debt investments with no active market	5) a)
Notes receivable	26,700	-	-	26,700	Notes receivable	
Accounts receivable, net	3,315,881	31,248	-	3,347,129	Trade receivables from unrelated parties	5) b), m)
Accounts receivable - a related party	7,875	(7,875)	-	-	Trade receivables from related parties	5) m)
Other receivables	40,337	123	-	40,460	Other receivables	5) m)
Other receivables - a related party	123	(123)	-	-	Other receivables - related parties	5) m)
Inventories	2,975,852	-	-	2,975,852	Inventories	
Prepaid expenses	96,060	-	-	96,060	Prepayments	
Prepayments	496,736	-	-	496,736	Prepayments	
Deferred income tax assets - current	17,474	(17,474)	-	-	-	5) c)
Restricted assets - current	700	-	-	700	Other current assets	
Other current assets	4,883	-	-	4,883	Other current assets	
Total current assets	<u>9,443,213</u>	<u>5,899</u>	<u>-</u>	<u>9,449,112</u>		

(Continued)

ROC GAAP		Effect of Transition to IFRSs			IFRSs		Note
		Presentation Difference	Recognition and Measurement Difference	Amount			
Item	Amount			Amount			
Long-term investments							
Financial assets carried at cost - noncurrent	\$ 214,929	\$ -	\$ -	\$ 214,929	Financial assets carried at cost - noncurrent		
Long-term stock investments accounted for using equity method	76,323	-	-	76,323	Investments accounted for using equity method		
Investments in real estate	54,246	(54,246)	-	-	-		5) e)
Total long-term investments	345,498	(54,246)	-	291,252			
Properties, net	2,186,837	(131,083)	-	2,055,754	Property, plant and equipment		5) d)
-	-	268,246	-	268,246	Investment properties		5) e)
Intangible assets							
Technical know-how, net	22	-	-	22	Technical know-how		
Computer software, net	21,457	-	-	21,457	Computer software		
Goodwill	558	-	-	558	Goodwill		
Land use rights, net	11,358	(11,358)	-	-	-		5) f)
Total intangible assets	33,395	(11,358)	-	22,037			
Other assets							
Properties for lease, net	214,000	(214,000)	-	-	-		5) e)
Refundable deposits	31,790	-	-	31,790	Other noncurrent assets		
Deferred charges, net	22,125	(22,125)	-	-	-		5) g)
Deferred income tax assets - noncurrent	187,339	50,134	15,430	252,903	Deferred tax assets		5) c) and k)
-	-	11,358	-	11,358	Long-term prepayment for lease		5) f)
Other noncurrent assets	-	153,208	-	153,208	Other noncurrent assets		5) d) and g)
Total other assets	455,254	(21,423)	15,430	449,259			
Total	\$ 12,464,197	\$ 56,033	\$ 15,430	\$ 12,535,660	Total		
Current liabilities							
Short-term loans	\$ 494,327	\$ -	\$ -	\$ 494,327	Short-term borrowings		
Notes payable	1,241	-	-	1,241	Notes payable		
Accounts payable	1,132,434	-	-	1,132,434	Trade payables		
Income tax payable, net of prepaid income tax	219,540	-	-	219,540	Current tax liabilities		
Accrued expenses	1,432,402	-	-	1,432,402	Other payables		
Other payables	62,551	-	-	62,551	Other payables		
Obligations under capital leases - current	728	-	-	728	Finance lease payables - current		
-	-	23,373	-	23,373	Provisions - current		5) b)
Other current liabilities	23,861	-	-	23,861	Other current liabilities		
Total current liabilities	3,367,084	23,373	-	3,390,457			
Long-term liabilities							
Obligations under capital leases - noncurrent	2,184	-	-	2,184	Finance lease payables - noncurrent		
Reserves							
Reserve for land value increment tax	33,685	(33,685)	-	-	-		5) h)
Other liabilities							
Accrued pension liabilities	24,263	-	91,563	115,826	Accrued pension liabilities		5) k)
Deposits received	8,936	-	-	8,936	Deposits received		
Deferred income tax liabilities - noncurrent	-	66,345	-	66,345	Deferred tax liabilities		5) c) and h)
Total other liabilities	33,199	66,345	91,563	191,107			
Total liabilities	3,436,152	56,033	91,563	3,583,748	Total liabilities		
Equity attributable to stockholders of the parent							
Common stock	4,636,269	-	-	4,636,269	Common stock		
Capital surplus							
Treasury stock transactions	27,130	-	-	27,130	Treasury share transactions		
Long-term stock investments	13,574	(13,574)	-	-	-		5) j)
Total capital surplus	40,704	(13,574)	-	27,130			
Retained earnings							
Legal reserve	1,036,298	-	-	1,036,298	Legal reserve		
Unappropriated earnings	3,013,161	36,708	(75,331)	2,974,538	Unappropriated earnings		5) i), j) and k)
Total retained earnings	4,049,459	36,708	(75,331)	4,010,836			

(Continued)

ROC GAAP		Effect of Transition to IFRSs			IFRSs		Note
		Item	Amount	Presentation Difference	Recognition and Measurement Difference	Amount	
Others							
Cumulative translation adjustments	\$ 154,322	\$ -	\$ -	\$ 154,322	Foreign currency translation reserve		
Unrealized gain (loss) on available-for-sale financial assets	(3,688)	-	-	(3,688)	Unrealized gain (loss) on available-for-sale financial assets		
Revaluation increment	23,134	(23,134)	-	-	-		5) i)
Treasury stock	(21,182)	-	-	(21,182)	Treasury shares		
Total others	152,586	(23,134)	-	129,452			
Equity attributable to shareholders of the parent	8,879,018	-	(75,331)	8,803,687	Equity attributable to stockholders of the parent		
Minority interests in subsidiaries	149,027	-	(802)	148,225	Noncontrolling interests in subsidiaries		5) k)
Total stockholders' equity	9,028,045	-	(76,133)	8,951,912	Total stockholders' equity		
Total	\$ 12,464,197	\$ 56,033	\$ 15,430	\$ 12,535,660	Total		(Concluded)

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

ROC GAAP		Effect of Transition to IFRSs			IFRSs		Note
		Item	Amount	Presentation Difference	Recognition and Measurement Difference	Amount	
Current assets							
Cash and cash equivalents	\$ 2,229,880	\$ (699,602)	\$ -	\$ 1,530,278	Cash and cash equivalents		5) a)
Financial assets at fair value through profit or loss - current	95,525	-	-	95,525	Financial assets at fair value through profit or loss - current		
Available-for-sale financial assets - current	678,046	-	-	678,046	Available-for-sale financial assets - current		
-	-	699,602	-	699,602	Debt investments with no active market		5) a)
Notes receivable	25,753	-	-	25,753	Notes receivable		
Accounts receivable, net	3,313,751	21,834	-	3,335,585	Trade receivables from unrelated parties		5) b) and m)
Accounts receivable - a related party	1,999	(1,999)	-	-	Trade receivables from related parties		5) m)
Other receivables	63,985	129	-	64,114	Other receivables		5) m)
Other receivables - a related party	129	(129)	-	-	Other receivables - related parties		5) m)
Inventories	2,855,268	-	-	2,855,268	Inventories		
Prepaid expenses	218,920	-	-	218,920	Prepayments		
Prepayments	933,446	-	-	933,446	Prepayments		
Deferred income tax assets - current	21,515	(21,515)	-	-	-		5) c)
Restricted assets - current	277,912	-	-	277,912	Other current assets		
Other current assets	12,136	-	-	12,136	Other current assets		
Total current assets	10,728,265	(1,680)	-	10,726,585			
Long-term investments							
Financial assets carried at cost - noncurrent	180,807	-	-	180,807	Financial assets carried at cost - noncurrent		
Investments in real estate	53,937	(53,937)	-	-	-		5) e)
Total long-term investments	234,744	(53,937)	-	180,807			
Properties, net	2,233,417	(50,483)	-	2,182,934	Property, plant and equipment		5) d)
-	-	265,246	-	265,246	Investment properties		5) e)
Intangible assets							
Computer software, net	17,606	-	-	17,606	Computer software		
Goodwill	558	-	-	558	Goodwill		
Deferred pension cost	187	-	(187)	-	-		5) k)
Land use right, net	110,527	(110,527)	-	-	-		5) f)
Total intangible assets	128,878	(110,527)	(187)	18,164			

(Continued)

ROC GAAP		Effect of Transition to IFRSs				IFRSs	Note
		Presentation Difference	Recognition and Measurement Difference	Amount	Item		
Item	Amount			Amount			
Other assets							
Properties for lease, net	\$ 211,309	\$ (211,309)	\$ -	\$ -	-	5) e)	
Refundable deposits	22,189	-	-	22,189	Other noncurrent assets		
Deferred charges, net	17,213	(17,213)	-	-	-	5) g)	
Deferred income tax assets - noncurrent	205,252	32,283	19,055	256,590	Deferred tax assets	5) c) and k)	
-	-	110,527	-	110,527	Long-term prepayment for lease	5) f)	
Other noncurrent assets	-	67,696	-	67,696	Other noncurrent assets	5) d) and g)	
Total other assets	455,963	(18,016)	19,055	457,002			
Total	\$ 13,781,267	\$ 30,603	\$ 18,868	\$ 13,830,738	Total		
Current liabilities							
Short-term loans	\$ 653,014	\$ -	\$ -	\$ 653,014	Short-term borrowings		
Notes payable	6,312	-	-	6,312	Notes payable		
Accounts payable	1,135,334	-	-	1,135,334	Trade payable		
Income tax payable, net of prepaid income tax	244,489	-	-	244,489	Current tax liabilities		
Accrued expenses	1,352,178	-	-	1,352,178	Other payables		
Other payables	149,385	-	-	149,385	Other payables		
Obligations under capital leases - current	728	-	-	728	Finance lease payables - current		
-	-	19,835	-	19,835	Provisions - current	5) b)	
Other current liabilities	105,545	-	-	105,545	Other current liabilities		
Total current liabilities	3,646,985	19,835	-	3,666,820			
Long-term liabilities							
Obligations under capital leases - noncurrent	1,455	-	-	1,455	Finance lease payables - noncurrent		
Reserves							
Reserve for land value increment tax	33,685	(33,685)	-	-	-	5) h)	
Other liabilities							
Accrued pension liabilities	26,901	-	109,412	136,313	Accrued pension liabilities	5) k)	
Deposits received	14,089	-	-	14,089	Other noncurrent liabilities		
Deferred income tax liabilities - noncurrent	-	44,453	537	44,990	Deferred tax liabilities	5) c), h) and k)	
Total other liabilities	40,990	44,453	109,949	195,392			
Total liabilities	3,723,115	30,603	109,949	3,863,667	Total liabilities		
Equity attributable to stockholders of the parent							
Common stock	5,748,973	-	-	5,748,973	Common stock		
Capital surplus							
Treasury stock transactions	35,240	-	-	35,240	Treasury share transactions		
Long-term stock investments	13,574	(13,574)	-	-	-	5) j)	
Total capital surplus	48,814	(13,574)	-	35,240			
Retained earnings							
Legal reserve	1,282,134	-	-	1,282,134	Legal reserve		
Unappropriated earnings	2,779,979	36,708	(90,179)	2,726,508	Unappropriated earnings	5) i), j), k)	
Total retained earnings	4,062,113	36,708	(90,179)	4,008,642			
Others							
Cumulative translation adjustments	34,912	-	-	34,912	Foreign currency translation reserve		
Net loss not recognized as pension cost	(128)	-	128	-	-	5) k)	
Unrealized gain (loss) on available-for-sale financial assets	21,665	-	-	21,665	Unrealized gain (loss) on available-for-sale financial assets		
Revaluation increment	23,134	(23,134)	-	-	-	5) i)	
Treasury stock	(21,182)	-	-	(21,182)	Treasury share		
Total others	58,401	(23,134)	128	35,395			
Equity attributable to stockholders of the parent	9,918,301	-	(90,051)	9,828,250	Equity attributable to stockholders of the parent		
Minority interests in subsidiaries	139,851	-	(1,030)	138,821	Noncontrolling interests in subsidiaries	5) k)	
Total stockholders' equity	10,058,152	-	(91,081)	9,967,071	Total stockholders' equity		
Total	\$ 13,781,267	\$ 30,603	\$ 18,868	\$ 13,830,738	Total		

(Concluded)

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

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Presentation Difference	Recognition and Measurement Difference	Amount	Item	Note
Net sales	\$ 20,056,118	\$ (2,202,356)	\$ -	\$ 17,853,762	Sales	5) l)
Cost of goods sold	<u>12,418,989</u>	<u>-</u>	<u>(5,398)</u>	<u>12,413,591</u>	Cost of goods sold	5) k)
Gross profit	<u>7,637,129</u>	<u>(2,202,356)</u>	<u>5,398</u>	<u>5,440,171</u>	Gross profit	
Operating expenses					Operating expenses	
Selling	4,744,318	(2,202,356)	(1,087)	2,540,875	Selling and marketing	5) k) and l)
General and administrative	420,539	-	-	420,539	General and administrative	
Research and development	72,559	-	-	72,559	Research and development	
Total operating expenses	<u>5,237,416</u>	<u>(2,202,356)</u>	<u>(1,087)</u>	<u>3,033,973</u>		
Income from operations	<u>2,399,713</u>	<u>-</u>	<u>6,485</u>	<u>2,406,198</u>	Operating income	
Non-operating income and gains						
Interest income	40,251	-	-	40,251	Interest income	
Investment income recognized under equity method investees, net	55,734	-	-	55,734	Share of the profit or loss of subsidiaries and associates	
Dividend income	166,852	-	-	167,153	Dividend income	
Gain on disposal of properties and properties for lease	64,508	-	-	64,508	Gain on disposal of properties and properties for lease	
Gain on disposal of investments, net	3,392	-	-	3,392	Gain on disposal of investments, net	
Rent revenue	23,569	-	-	23,569	Rent revenue	
Gain on reversal of bad debts	4,958	-	-	4,958	Gain on reversal of bad debts	
Valuation gain on financial assets, net	6,712	-	-	6,712	Valuation gain on financial assets at fair value through profit or loss	
Others	<u>29,455</u>	<u>-</u>	<u>-</u>	<u>29,154</u>	Others	
Total non-operating income and gains	<u>395,431</u>	<u>-</u>	<u>-</u>	<u>395,431</u>	Non-operating income and gains	
Non-operating expenses and losses					Non-operating expenses and losses	
Interest expense	7,018	-	-	7,018	Finance costs	
Loss on disposal of properties and properties for lease	19,072	-	-	19,072	Loss on disposal of properties and properties for lease	
Foreign exchange loss, net	10,752	-	-	10,752	Foreign exchange loss, net	
Impairment loss on financial assets carried at cost	8,941	-	-	8,941	Impairment loss on financial assets carried at cost	
Others	<u>10,020</u>	<u>-</u>	<u>2,797</u>	<u>12,817</u>	Others	
Total non-operating expenses and losses	<u>55,803</u>	<u>-</u>	<u>2,797</u>	<u>58,600</u>		
Income before income tax	<u>2,739,341</u>	<u>-</u>	<u>3,688</u>	<u>2,743,029</u>	Profit before income tax	
Income tax expense	<u>496,124</u>	<u>-</u>	<u>611</u>	<u>496,735</u>	Income tax expense	5) k)
Consolidated Net income	<u>\$ 2,243,217</u>	<u>\$ -</u>	<u>\$ 3,077</u>	<u>2,246,294</u>	Net profit for the year	
				(142,804)	Exchange differences on translating foreign operations	
				28,731	Unrealized gain on available-for-sale financial assets	
				(21,856)	Actuarial loss arising from defined benefit plans	5) k)
				(1,063)	Share of other comprehensive income of subsidiaries and associates	
				24,810	Income tax relating to components of other comprehensive income	5) k)
				(112,182)	Other comprehensive loss for the period, net of income tax	
				<u>\$ 2,134,112</u>	Comprehensive income for the year	

#### 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. Therefore, in the opening balance sheet, the amount of goodwill generated from past business combinations remains the same compared with the one under ROC GAAP as of December 31, 2011.

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

##### Share-based payment transactions

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

##### Deemed cost

For certain freehold lands, the Group elected to use the ROC GAAP revalued amount at the date of transition to IFRSs as their deemed cost under IFRSs.

##### 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.

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) Explanations of significant reconciling items in the transition to IFRSs

The significant differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

##### a) Time deposits with deposit terms of over three months

Under ROC GAAP, time deposits that can be withdrawn at any moment without detriment to the principal are classified as cash. Under IFRSs, time deposits with deposit terms of over year are not classified as cash and cash equivalents, because they are not traded in an active market; therefore, time deposits with deposit terms of over three months are reclassified as debt investments with no active market.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from time deposits with deposit terms of over three months to debt investments with no active market were \$699,602 thousand and \$252,915 thousand, respectively.

b) Allowance for sales returns and others

Under ROC GAAP, provisions for estimated sales returns and others are recognized as a reduction in revenue in the period the related revenue is recognized based on historical experience. Allowance for sales returns and others is recorded as a deduction in accounts receivable. Under IFRSs, the allowance for sales returns and others is a present obligation with uncertain timing and an amount that arises from past events and is therefore reclassified as provisions (classified under current liabilities).

As of December 31, 2012 and January 1, 2012, the amounts reclassified from allowance for sales returns and others to provisions were \$19,835 thousand and \$23,373 thousand, respectively.

c) Deferred income tax assets/liabilities

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

Under ROC GAAP, valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred income tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and valuation allowance account is not used.

Under ROC GAAP, the current deferred income tax liabilities and assets of the same taxable entity should be offset against each other and presented as a net amount; the same for the noncurrent deferred income tax liabilities and assets. Under IFRSs, an entity should offset deferred income tax assets and deferred income tax liabilities only if:

- i. The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and,
- ii. The deferred income tax assets and the deferred income tax liabilities are related to income taxes levied by the same taxation authority.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from deferred income tax assets to noncurrent assets were \$21,515 thousand and \$17,474 thousand, respectively, deferred tax assets and deferred tax liabilities were adjusted for an increase of \$10,768 thousand and \$32,660 thousand, respectively.

d) Classification of prepayments for property, plant and equipment

Under ROC GAAP, the prepaid item for purchasing property, plant and equipment is classified as prepayments for property, plant and equipment under properties. Under IFRSs, they are reclassified as prepayments under other noncurrent assets.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from prepayments for property, plant and equipment to other noncurrent assets were \$50,483 thousand and \$131,083 thousand, respectively.

e) Investment property

Under ROC GAAP, leased assets are classified under properties or other assets. Under IFRSs, the assets for lease or for capital appreciation are classified as investment property according to their nature. Therefore, the aforementioned items were reclassified as investment property.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from investments in real estate and leased assets to investment property were \$265,246 thousand and \$268,246 thousand, respectively.

f) Reclassification of land use rights

Under ROC GAAP, land use rights are classified as intangible assets; under IFRSs, in accordance with IAS No. 17 "Lease", land use rights are reclassified as long-term prepaid rent.

As of December 31, 2012, and January 1, 2012, the amounts reclassified from land use rights to long-term prepaid rent (classified under other noncurrent assets) were \$110,527 thousand and \$11,358 thousand, respectively.

g) Reclassification of deferred charges

Under ROC GAAP, deferred charges are classified as other assets. Under IFRSs, deferred charges are reclassified as properties, intangible assets, prepaid expenses and long-term prepaid expenses according to their nature.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from deferred charges to long-term prepaid expenses (classified under other noncurrent assets) were \$17,213 thousand and \$22,125 thousand, respectively.

h) Reserve for land value increment tax

Under current Guidelines Governing the Preparation of Financial Reports by Securities Issuers, reserve for land value increment tax recognized due to revaluation on land is classified as long-term liabilities. Under IFRSs, ROC GAAP revaluations are selected as deemed cost for the designated land at the date of transition to IFRSs; thus, the related reserve for land value increment tax should be reclassified to deferred income tax liabilities - land value increment tax.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from reserve for land value increment tax to deferred income tax liabilities - land value increment tax were both \$33,685 thousand.

i) Revaluation increment

Under IFRSs, ROC GAAP revaluations are selected as deemed cost for the designated land at the date of transition to IFRSs; thus, the adjusted unrealized revaluation increment should be reclassified to retained earnings.

As of December 31, 2012 and January 1, 2012, the amounts adjusted from revaluation increment to retained earnings were both \$23,134 thousand.

j) The accounting method for investments in associates/subsidiaries when they issue new shares and the investor/the parent does not acquire new shares proportionately and effect on capital reserve from long-term stock investments.

Under ROC GAAP, when the investor does not acquire proportionately from new shares issued by the investee that results in a change in the ownership holding percentage and interest in the investee's net assets, the difference shall be adjusted to the capital reserve - long-term stock investments and long-term stock investments.

Under IFRSs, a change in investor's ownership of associates and investees would be deemed as an acquisition or a disposal of interest in associates and investees if significant influence or control is not lost. In addition, according to "Comments on IFRSs" issued by the Taiwan Stock Exchange, capital surplus should be adjusted at the date of transition to IFRSs if it did not meet the criteria of IFRSs or Company Law or interpretations of the Ministry of Economic Affairs.

According to "Comments on IFRSs" issued by the Taiwan Stock Exchange, there is no need for the Company and subsidiaries to apply the rule retrospectively; therefore, the Company and subsidiaries reclassified capital surplus as retained earnings. As of December 31, 2012 and January 1, 2012, the amounts of capital surplus reclassified to retained earnings were both \$13,574 thousand.

- k) Employee benefits - unrecognized net transition obligation and actuarial gains and losses of defined benefit pension plans

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

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

At the date of transition to IFRSs, the Company and subsidiaries performed the actuarial valuation on defined benefit plans under IAS No. 19, "Employee Benefits," and recognized the valuation difference under the requirement of IFRS 1. For the year ended December 31, 2012 and January 1, 2012, accrued pension cost was adjusted for an increase of \$109,412 thousand and \$91,563 thousand, respectively; deferred income tax assets were adjusted for an increase of \$19,055 thousand and \$15,430 thousand, respectively; deferred income tax liabilities were adjusted for an increase of \$537 thousand and zero, respectively; net loss not recognized as pension cost was adjusted for a decrease of \$128 thousand and zero, respectively. Pension cost was adjusted for a decrease of \$3,691 thousand and tax expense was adjusted for an increase of \$611 thousand for the year ended December 31, 2012; actuarial loss of defined benefit plan and income tax gain for the year ended December 31, 2012 were \$21,855 thousand and \$3,699 thousand, respectively.

l) Revenue recognition

The rewards, sponsorships and subvention for customers are operating expenses. Under IFRSs, the amounts of sales revenues equal to the rewards, sponsorships and subsidies for customers are deducted from gross sales.

For the year ended December 31, 2012, the amount reclassified from operating expenses to the amount deducted from gross sales was \$2,202,356 thousand.

m) Accounts receivable and other receivable - a related party

Under ROC GAAP, the Corporation's related parties include other corporations whose chairman or general manager are the same as the Corporation's, or having the relationship as spouse or within second degree of blood relationship. Under IFRSs, the above conditions do not conform to IFRSs.

As of January 1, 2012 and December 31, 2012, the amounts reclassified from accounts receivable - a related party to accounts receivable were \$1,999 thousand and \$7,875 thousand, respectively; the amounts reclassified from other receivable - a related party to other receivables were \$129 thousand and \$123 thousand, respectively.

n) Biological assets

Under ROC GAAP, biological assets are classified as inventories. Under IFRSs, biological assets should be individually listed and measured at fair value less costs to sell.

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

Time deposits that can be readily cancelled without eroding the principal and negotiable certificates of deposit that can be readily sold without eroding the principal meet the definition of cash in accordance with ROC GAAP. However, under IAS 7 "Statement of Cash Flow", cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent, it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Therefore, time deposits with a carrying amount of \$699,602 thousand and \$252,915 thousand as of December 31, 2012 and January 1, 2012, respectively, held by the Group were for investment purposes and thus not classified as cash under IFRSs.

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 Flows", 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 \$37,181 thousand and \$167,153 thousand, respectively, for the year ended December 31, 2012 were presented separately at the date of transition to IFRSs.

Except for the above differences, there are no other significant differences between ROC GAAP and IFRSs in the consolidated statement of cash flows.