Sinon Corporation and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

Sinon Corporation

By:

Wen Ben Yang

Wen Ben Yang
President

March 21, 2014

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Sinon Corporation

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

Deloitte & Touche

March 21, 2014

<u>Notice to Readers</u>

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

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

SINON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	December 31, 2013		December 31, 2012		January 1, 2012	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 1,129,300	8	$ 807,762	6	$ 790,550	8
Available-for-sale financial assets - current (Notes 4 and 7)	19,556	-	23,609	-	31,001	-
Notes receivable	187,273	1	195,954	2	200,322	2
Trade receivables (Notes 4 and 9)	1,735,594	12	1,619,265	13	1,175,409	11
Trade receivables from related parties (Note 27)	1,316	-	352	-	320	-
Other receivables (Note 27)	120,145	1	403,373	3	43,335	-
Inventories-manufacturing (Note 10)	2,763,363	20	2,495,380	20	1,995,403	19
Inventories-construction (Notes 4, 11, 28 and 29)	469,804	3	-	-	-	-
Prepayments	344,769	3	307,993	3	186,240	2
Other current assets	12,016	-	10,372	-	27,833	-
Total current assets	6,783,136	48	5,864,060	47	4,450,413	42
NON-CURRENT ASSETS						
Financial assets measured at cost - noncurrent (Notes 4 and 8)	18,918	-	18,918	-	24,918	-
Investments accounted for using equity method (Notes 4 and 12)	29,800	-	49,238	-	18,758	-
Property, plant and equipment (Notes 13, 27, 28 and 29)	6,534,791	46	5,916,742	47	5,491,909	52
Goodwill	-	-	-	-	140,000	1
Deferred tax assets (Notes 4, 5 and 22)	142,893	1	151,873	1	155,327	1
Prepayments for equipment	365,908	2	205,787	2	81,911	1
Refundable deposits (Note 28)	109,995	1	130,303	1	75,358	1
Other non-current assets (Note 14)	263,051	2	194,960	2	201,715	2
Total non-current assets	7,465,356	52	6,667,821	53	6,189,896	58
TOTAL	$ 14,248,492	100	$ 12,531,881	100	$ 10,640,309	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 15 and 26)	$ 1,704,403	12	$ 1,248,040	10	$ 1,175,442	11
Short-term bills payable (Notes 15 and 26)	100,000	1	190,000	2	190,000	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 16)	4,798	-	-	-	-	-
Notes payable	51,354	-	47,725	-	45,578	-
Trade payables	1,514,686	11	1,305,065	10	1,226,636	12
Trade payables to related parties (Note 27)	5,133	-	836	-	894	-
Current tax liabilities (Note 22)	68,875	1	58,117	1	40,328	-
Other payables (Note 17)	719,338	5	676,014	5	788,628	7
Current portion of long-term borrowings (Note 15)	59,536	-	245,953	2	277,566	3
Other current liabilities - others (Note 27)	255,150	2	170,243	1	142,176	1
Total current liabilities	4,483,273	32	3,941,993	31	3,887,248	36
NON-CURRENT LIABILITIES						
Bonds payable (Notes 4 and 16)	1,082,848	8	-	-	-	-
Long-term borrowings (Note 15)	2,173,197	15	2,466,297	20	731,606	7
Deferred tax liabilities (Notes 4 and 22)	250,582	2	264,979	2	291,080	3
Accrued pension liabilities (Notes 4 and 18)	1,064,436	7	1,050,442	8	880,812	8
Guarantee deposits received	114,341	1	104,760	1	108,167	1
Other non-current liabilities	51,047	-	105,264	1	103,660	1
Total non-current liabilities	4,736,451	33	3,991,742	32	2,115,325	20
Total liabilities	9,219,724	65	7,933,735	63	6,002,573	56
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION						
Common stock	3,337,233	23	3,336,920	27	3,336,920	31
Capital surplus	167,924	1	51,883	-	47,879	1
Retained earnings						
Legal reserve	445,221	3	404,566	3	368,735	4
Special reserve	-	-	-	-	140,821	1
Unappropriated earnings	1,041,037	7	875,168	7	740,724	7
Other equity	(61,011)	-	(64,284)	-	(429)	-
Treasury stock	-	-	(27,524)	-	(27,524)	-
Total equity attributable to owners of the Corporation	4,930,404	34	4,576,729	37	4,607,126	44
NON-CONTROLLING INTERESTS	98,364	1	21,417	-	30,610	-
Total equity	5,028,768	35	4,598,146	37	4,637,736	44
TOTAL	$ 14,248,492	100	$ 12,531,881	100	$ 10,640,309	100

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

SINON CORPORATION AND SUBSIDIARIES

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

	Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
SALES (Notes 4 and 27)	$ 15,720,588	100	$ 14,222,051	100
COST OF GOODS SOLD (Notes 21 and 27)	11,723,772	74	10,452,892	74
GROSS PROFIT	3,996,816	26	3,769,159	26
OPERATING EXPENSES (Note 21 and 27)				
Selling and marketing expenses	2,974,386	19	3,008,876	21
General and administrative expenses	163,335	1	166,816	1
Research and development expenses	133,822	1	134,193	1
Total operating expenses	3,271,543	21	3,309,885	23
EARNINGS FROM OPERATIONS	725,273	5	459,274	3
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 21)	27,281	-	58,676	-
Other gains and losses (Note 21)	(74,767)	-	79,539	1
Finance costs (Note 21)	(76,606)	(1)	(66,670)	-
Share of profit or loss of associates (Notes 4 and 12)	(3,469)	-	1,443	-
Total non-operating income and expenses	(127,561)	(1)	72,988	1
PROFIT BEFORE INCOME TAX	597,712	4	532,262	4
INCOME TAX EXPENSE (Notes 4, 5 and 22)	153,692	1	115,747	1
NET PROFIT FOR THE YEAR	444,020	3	416,515	3
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations (Note 4)	(1,291)	-	(66,752)	-
Unrealized gain on available-for-sale financial assets (Note 4)	4,564	-	2,897	-
Actuarial gain and loss arising from defined benefit plans (Note 18)	20,609	-	(147,411)	(1)
Share of other comprehensive income of associates	741	-	(2,552)	-
Income tax relating to components of other comprehensive income	(3,504)	-	25,059	-
Other comprehensive income (loss) for the year, net of income tax	21,119	-	(188,759)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 465,139	3	$ 227,756	2

(Continued)

SINON CORPORATION AND SUBSIDIARIES

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

	Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 455,830	3	$ 418,770	3
Non-controlling interests	(11,810)	-	(2,255)	-
	$ 444,020	3	$ 416,515	3
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 476,751	3	$ 232,553	2
Non-controlling interests	(11,612)	-	(4,797)	-
	$ 465,139	3	$ 227,756	2
EARNINGS PER SHARE (Note 23)				
Basic	$ 1.37		$ 1.25	
Diluted	$ 1.27		$ 1.25	

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

SINON CORPORATION AND SUBSIDIARIES

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

			Retained Earnings (Note 19)			Other Equity (Notes 4 and 19)					
	Common Stock (Note 19)	Capital Surplus (Note 19)	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain or Loss on Available-for-sale Financial Assets	Treasury Stock (Note 20)	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2012	$ 3,336,920	$ 47,879	$ 368,735	$ 140,821	$ 740,724	$ -	$ (429)	$ (27,524)	$ 4,607,126	$ 30,610	$ 4,637,736
Appropriation of 2011 earnings											
Legal reserve	-	-	35,831	-	(35,831)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(266,954)	-	-	-	(266,954)	-	(266,954)
Special reserve	-	-	-	(140,821)	140,821	-	-	-	-	-	-
Net profit for the year ended December 31, 2012	-	-	-	-	418,770	-	-	-	418,770	(2,255)	416,515
Other comprehensive income (loss) for the year ended December 31, 2012, net of income tax	-	-	-	-	(122,362)	(66,752)	2,897	-	(186,217)	(2,542)	(188,759)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	296,408	(66,752)	2,897	-	232,553	(4,797)	227,756
Share-based payment transactions	-	4,004	-	-	-	-	-	-	4,004	-	4,004
Decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	(4,396)	(4,396)
BALANCE AT DECEMBER 31, 2012	3,336,920	51,883	404,566	-	875,168	(66,752)	2,468	(27,524)	4,576,729	21,417	4,598,146
Appropriation of 2012 earnings											
Legal reserve	-	-	40,655	-	(40,655)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(266,954)	-	-	-	(266,954)	-	(266,954)
Convertible bonds conversion option equity component	-	110,876	-	-	-	-	-	-	110,876	-	110,876
Net profit for the year ended December 31, 2013	-	-	-	-	455,830	-	-	-	455,830	(11,810)	444,020
Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax	-	-	-	-	17,648	(1,291)	4,564	-	20,921	198	21,119
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	473,478	(1,291)	4,564	-	476,751	(11,612)	465,139
Convertible bonds converted to common stock	313	140	-	-	-	-	-	-	453	-	453
Difference between market price and carrying amount in acquisition or disposal of subsidiaries	-	5,089	-	-	-	-	-	-	5,089	88,559	93,648
Share-based payment transactions	-	(64)	-	-	-	-	-	27,524	27,460	-	27,460
BALANCE AT DECEMBER 31, 2013	$ 3,337,233	$ 167,924	$ 445,221	$ -	$ 1,041,037	$ (68,043)	$ 7,032	$ -	$ 4,930,404	$ 98,364	$ 5,028,768

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

SINON CORPORATION AND SUBSIDIARIES

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

	Year Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 597,712	$ 532,262
Adjustments for :		
Depreciation	499,318	511,627
Impairment loss recognized on trade receivables	5,025	10,673
Interest expense	76,606	66,670
Interest income	(12,510)	(10,198)
Dividend income	(1,547)	(1,672)
Compensation cost	-	4,004
Share of (profit) loss of associates	3,469	(1,443)
(Gain) loss on disposal of property, plant and equipment	3,718	(135,369)
Loss on disposal of investment	7,820	17,495
Loss on non-financial assets	26,546	33,384
Net loss (gain) on unrealized exchange	9,536	(10,980)
Net changes in operating assets and liabilities		
Notes receivable	8,681	4,367
Trade receivables	(36,849)	(513,797)
Other receivables	283,229	(70,699)
Inventories	(737,788)	(579,264)
Prepayment	(30,295)	(45,638)
Other current assets	(48,551)	29,124
Financial liabilities held for trading	4,798	-
Notes payable	3,629	2,147
Trade payables	176,785	155,270
Other payables	45,849	110,188
Other current liabilities	98,735	(936)
Accrued pension liabilities	34,603	22,219
Cash generated from operations	1,018,519	129,434
Interest received	12,510	10,198
Interest paid	(74,796)	(65,509)
Income tax paid	(148,351)	(94,868)
Net cash generated from (used in) operating activities	807,882	(20,745)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(9,521)	(99,634)
Proceeds of the sale of available-for-sale financial assets	17,516	101,245
Acquisition of associates	-	(30,000)
Net cash inflow on disposal of subsidiaries	-	126,313
Acquisition of property, plant and equipment	(1,177,116)	(870,135)
Proceeds of the disposal of property, plant and equipment	29,932	14,665
Decrease (increase) refundable deposits	20,308	(54,945)
Decrease in other non-current assets	118,755	6,883
Increase in prepayments for equipment	(553,075)	(313,845)
Net cash used in investing activities	(1,553,201)	(1,119,453)

(Continued)

SINON CORPORATION AND SUBSIDIARIES

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

	Year Ended December 31	
	2013	**2012**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of short-term borrowings	$ 456,363	$ 77,419
Repayment of short-term bills payable	(90,000)	-
Proceeds from issue of convertible bonds	1,194,825	-
Proceeds of long-term borrowings	1,850,000	1,897,900
Repayment of long-term borrowings	(2,159,407)	(194,822)
Increase in guarantee deposits received	9,581	-
Decrease in guarantee deposits received	-	(3,408)
Decrease in payables on land purchase	-	(335,378)
Increase (decrease) in non-current liabilities	6,554	(3,292)
Dividends paid to owners of the Corporation	(266,954)	(266,954)
Proceeds of treasury stock transferred to employees	27,460	-
Partial disposal of interests in subsidiaries without losing control	18,750	-
Decrease in non-controlling interests	(11,414)	(7,738)
Net cash generated from financing activities	1,035,758	1,163,727
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	31,099	(6,317)
NET INCREASE IN CASH AND CASH EQUIVALENTS	321,538	17,212
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	807,762	790,550
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,129,300	$ 807,762

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

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

1. GENERAL INFORMATION

Sinon Corporation (the "Corporation") was incorporated in November 1963. It mainly manufactures and sells various chemicals and fertilizer.

The Corporation's stock has been listed on the Taiwan Stock Exchange (TSE) since December 14, 1989.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the board of directors on March 21, 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 Corporation and entities controlled by the Corporation (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 International Accounting Standards Board (IASB). On January 28, 2014, the Financial Supervisory Commission (FSC) announced the framework for the adoption of the updated IFRSs version in the Republic of China (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 had 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 yet announced the effective date for the following New Taiwan-IFRSs that are not included in the 2013 IFRSs version.

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

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

(Concluded)

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; and the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

The initial application of the above New IFRSs would not have material impact on the Group's accounting policies.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Group's consolidated financial statements for the year ended December 31, 2013 are its first IFRS consolidated financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 33 for the impact of IFRS conversion on the Group's consolidated financial statements.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

b. Basis of preparation

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

The opening consolidated balance sheet as of the date of transition to IFRSs was prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". The applicable IFRSs have been applied retrospectively by the 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 33.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

Assets and liabilities that are not classified as current are classified as non-current.
The Group engages in the construction business, which has an operating cycle of over one year, the normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

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

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

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

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

The equity of the non-controlling interests and the owners are presented separately.

Total comprehensive income of subsidiaries is attributed to the owners of the Corporation 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 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 Corporation.

The Group accounts for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Group had directly disposed of the related assets and liabilities. (According to IFRSs, amounts are reclassified to income and expenses or retained earnings).

2) Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	Functional Currencies	% of Ownership December 31, 2013	December 31, 2012	January 1, 2012
Sinon Corporation	Hsing Wei Corporation ("Hsing Wei")	Manufacture and sale of cement	TWD	100	100	100
	Syntai Chemicals & Pharmaceuticals, Ltd. ("Syntai Chemicals")	Manufacture of pharmaceuticals	TWD	100	100	100
	Sinon Professional Baseball Co., Ltd. ("Sinon Baseball")	Professional baseball	TWD	-	-	100
	Sinon Do Brazil Ltda. ("Sinon Brazil")	Manufacture and import and export of medical and chemical products	BRL	100	100	100
	Sinon Cayman Corporation ("Sinon Cayman")	Holding company	USD	100	100	100
	Sinon Trading Co., Ltd. ("Sinon Trading")	Trading	TWD	100	100	100
	Taiwan Fresh Supermarket Co., Ltd. ("TFS")	Supermarket	TWD	88	94	94
	Synjia Corporation ("Synjia")	Sale of household supplies and plastic products	TWD	100	100	100
	Sinon (Thailand) Co., Ltd. ("Sinon Thailand")	Import and export of chemical products	THB	100	100	100
	Sinon Eu GmbH ("Sinon Germany")	Import and export of chemical products	EUR	100	100	100
	Sinon USA, Inc. ("Sinon USA")	Import and export of chemical products	USD	100	100	100
	Sinon De Mexico S.A. De C.V. ("Sinon Mexico")	Import and export of chemical products	USD	100	100	100
	Sinon Australia Pty Limited ("Sinon Australia")	Import and export of chemical products	AUD	100	100	100
	Pt Sinon Indonesia ("Sinon Indonesia")	Import and export of chemical products	IDR	100	100	100
Hsing Wei	Dao Xian Construction Co., Ltd. (Dao Xiang)	Construct public housing, commercial building rental and sale	TWD	76	30	-
Syntai Chemicals	YU MEI YAN Inspection Technology Co., Ltd. (Yu Mei Yan)	Drug inspection	TWD	100	-	-
TFS	Feng Nien Corporation ("Feng Nien")	Supermarket	TWD	100	100	100
Feng Nien	SY Co., Ltd. ("SY")	Manufacture and sale of ice, refrigeration and factory and warehouse to leasing	TWD	100	100	-
Sinon Cayman	Zhongshan Sinon Daily Products Co., Ltd. ("Sinon Zhongshan")	Manufacture and sale of grocery products, pesticides and plastics	CNY	70	70	70
	Sinon Hong Kong Co., Ltd. ("Sinon Hong Kong")	Holding company	USD	100	100	100
	Sinon Winchester, Inc. ("Sinon Winchester")	Orchid planting and sale	USD	71	71	-
Sinon Hong Kong	Sinon China	Manufacture and sale of various chemicals	CNY	100	100	100
	Sinon Chemical (Nantong) Co., Ltd. ("Sinon Nantong")	Manufacture and sale of various chemicals	CNY	100	100	-
Sinon China	Sinon Zhongshan	Manufacture and sale of grocery products, pesticides and plastics	CNY	10	10	10
	Zhongshan Sinon Agriculture Counseling Servings Co., Ltd. ("Sinon Zhongshan Servings")	Import and export of chemical products	CNY	100	100	100
	Shanghai Yu Ting Plastic Products Co., Ltd.	Import and export plastic products	CNY	100	-	-
Synjia	Synjia Cayman Corporation ("Synjia Cayman")	Holding company	USD	100	100	100
	YMY Biotech Co., Ltd. ("YMY")	Environmental and drug testing	TWD	100	100	-
Synjia Cayman	Synjia Hong Kong Corporation Limited ("Synjia Hong Kong")	Holding company	USD	100	100	100
Synjia Hong Kong	Zhongshan Synjia Daily Products Co., Ltd. ("Synjia Zhongshan")	Manufacture and sale of grocery products, pesticides and plastics	CNY	100	100	100

In December 2012, the Corporation sold the shares of Sinon Professional Baseball Co., Ltd. to E-Da Culture and Creative Industry Co., Ltd.; the price was $129,610 thousand and the loss on disposal was $18,742 thousand.

Due to certain restrictions to foreign investors in Thailand, 51% of the shares of Sinon Thailand are invested by the local investors. However, the Corporation has the effective control over Sinon Thailand.

In September 2013, Hsing Wei acquired 20,000 thousand shares of Dao Xiang for $200,000 thousand and the company's percentage of ownership increased from 30% to 76%; thus,, Dao Xiang is deemed as a subsidiary of the Group.

The equity-method investees' financial statements, which had been used to determine the carrying amount of the Corporation's investments, had been audited, except those of, Sinon Indonesia, Sinon Germany, Sinon Trading and Sinon Mexico. The Corporation believes that, had those companies' financial statements been audited, any adjustments would have had no material effect on the Group's financial statements.

e. Foreign currencies

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

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

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used are different from the Corporation) 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 Corporation and non-controlling interests as appropriate).

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

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

f. Inventories

Inventories consist of raw materials, supplies, finished goods, work-in-process and for development real estate 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. Contract costs are recognized when the conditions for the recognition of contract revenue have been satisfied.

g. Investment in associates

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

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

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 the additional subscription of 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.

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

h. Property, plant, and equipment

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

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 of plant and equipment is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

i. Goodwill

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

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

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

j. Impairment of tangible asset

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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 on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

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

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

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

Financial assets

a. Measurement category

Financial assets are classified into the following categories: Available-for-sale financial assets, and loans and receivables. The classification is based the nature and purpose of the asset when recognized on trade date.

1) 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.

2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted price in active market. Loans and receivables (including trade receivables, cash and cash equivalent, note receivable, trade receivable, and other receivable are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

b. Impairment of financial assets

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

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

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

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

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

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it is becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.
For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

Financial liabilities

a. Subsequent measurement

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

b. Derecognition of financial liabilities

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

Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

Derivative financial instruments

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

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

l. 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).

m. Revenue recognition

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

1) Sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

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

According to sales contract, income from properties developed for sale is recognized when construction is completed, had passed qualified inspection, and rewards of ownership of the properties are transferred to buyers.

2) Dividend and interest income

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

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

n. Leasing

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

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

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

o. Borrowing costs

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

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

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

p. Retirement benefit costs

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

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

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

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

q. Share-based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the employee share options is recognized as an expense in full at the grant date when the share options granted vest immediately.

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the 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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for a business combination.

s. Construction Business Accounting

The price paid out before acquiring ownership is recorded as prepaid premises. Housing investment is calculated according to the cost of various projects. Land held for construction site and construction costs are recorded in Construction in Progress. After completion the project is transferred to Premises Held for Sale. The receipts from pre-selling premises are recorded in Advance Real Estate Receipts.

Pre-sold housing projects completed and delivered are accounted for at the property settlement. Buildings and Land Held for Sale and Advance Real Estate Receipts are recognized in profit or loss whenever the contract transfer to the buyer control and the significant risks and rewards of ownership of the real estate in its entirely completion, upon of after delivery.

Housing project has reached a settlement state and has the actual date of transfer of ownership of the premises at the completion and settlement identified profit attributable to the year.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Corporation's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

a. 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. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Write-down of inventory

The 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 is based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

c. Income taxes

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

d. Recognition and measurement of defined benefit plans

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

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 58,483	$ 91,596	$ 58,313
Checking accounts and demand deposits	766,645	686,168	570,237
Cash equivalent			
Commercial papers	304,172	29,998	162,000
	$1,129,300	$ 807,762	$ 790,550

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

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic investments			
Listed shares and emerging market shares	$ 8,982	$ 18,229	$ -
Mutual funds	10,574	5,380	31,001
	$ 19,556	$ 23,609	$ 31,001

8. FINANCIAL ASSETS MEASURED AT COST

	December 31, 2013	December 31, 2012	January 1, 2012
Unquoted common stock			
Taichung Golf & Country Club (TGCC)	$ 18,918	$ 18,918	$ 18,918
The Chinese Professional Baseball Corp.	-	-	6,000
	$ 18,918	$ 18,918	$ 24,918

Management believed that the fair value of the above unlisted equity investments held by the Group cannot be reliably measured due to the very wide range of various fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period.

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Trade receivables			
Trade receivables	$ 2,024,633	$ 1,944,156	$ 1,539,378
Less: Allowance for impairment loss	(289,039)	(324,891)	(363,969)
	$ 1,735,594	$ 1,619,265	$ 1,175,409

a. Trade receivables

In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss is recognized based on estimated irrecoverable amounts determined by reference to past default experience of 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 an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Less than 90 days	$ 12,097	$ 23,948	$ 42,597
91-180 days	6,824	-	-
over days	12,408	-	441
	$ 31,329	$ 23,948	$ 43,038

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

	For the Year Ended December 31	
	2013	2012
Balance at January 1	$ 324,891	$ 363,969
Impairment losses recognized on receivables	5,025	10,673
Effect of exchange rate changes	(40,877)	(49,751)
Balance at December 31	$ 289,039	$ 324,891

10. INVENTORIES - MANUFACTURING

	December 31, 2013	December 31, 2012	January 1, 2012
Finished goods	$ 195,059	$ 260,948	$ 277,845
Work in progress	405,176	365,977	267,017
Raw materials	725,905	701,581	568,984
Agricultural produce	1,389,044	1,133,223	839,976
Inventory in transit	48,179	33,651	41,581
	$ 2,763,363	$ 2,495,380	$ 1,995,403

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2012 was $11,723,772 thousand and $10,452,892 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2013 and 2012 included inventory write-downs of $26,546 thousand and $27,939 thousand, respectively.

11. INVENTORIES-CONTRUCTION

	December 31, 2013	December 31, 2012	January 1, 2012
Construction in progress	$ 148,060	$ -	$ -
Land held for construction	321,744	-	-
	$ 469,804	$ -	$ -

Dao Xiang was entrusted with construction and engineering projects. Land held for construction and other houses handled in trust were as follows:

Project Name	A Trust Period
Guo'an sec.—Property	From June 30, 2012 to the date, not exceeding June 30, 2014, of completing first registration of proprietary right and supplementing financing banks with first priority mortgage.
Guo'an sec.—Pre-sale house	From June 30, 2012 to the date of finishing the construction and completing first registration of Dao Xiang's proprietaryright, or to the date of Dao Xiang could not finish the construction and transfer the proprietaryright of estate under the contract.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
Unlisted companies						
K&S	$ 29,800	49	$ 19,403	49	$ 18,758	49
Dao Xiang	-	-	29,835	30	-	-
	$ 29,800		$ 49,238		$ 18,758	

In 2013, the Group subscribed 20,000 thousand shares of Dao Xinang for $200,000 thousand and the Group's percentage of ownership increased from 30% to 76%.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$126,012	$512,377	$105,376
Total liabilities	$ 64,945	$351,774	$ 46,495

	For the Year Ended December 31	
	2013	2012
Revenue	$ 87,834	$ 73,813
Profit (loss) for the year	$ 8,034	$ 1,990
Other comprehensive income	$ 15,692	$ 1,122

Investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited.

13. PROPERTY, PLANT AND EQUIPMENT

	Year Ended December 31, 2013					
	Beginning Balance	Additions	Reclassified	Disposals	Exchange Differences	Ending Balance
Cost						
Land	$ 2,800,199	$ 359,009	$ 8,336	$ (11,521)	$ -	$ 3,156,023
Buildings	1,189,517	91,838	118,013	(8,351)	422	1,391,439
Machinery and equipment	1,999,201	200,696	87,480	(103,771)	5,185	2,188,791
Transportation equipment	124,296	8,991	19	(10,139)	(2,587)	120,580
Leasehold improvements	742,219	-	-	-	-	742,219
Other equipment	2,266,401	120,823	161,868	(80,695)	(1,552)	2,466,845
Construction in progress	361,325	395,859	(384,027)	(6,335)	(31)	366,791
	9,483,158	$ 1,177,216	$ (8,311)	$ (220,812)	$ 1,437	10,432,688
Accumulated depreciation						
Land	385,278	$ 41,982	$ (142)	$ (609)	$ 93	426,602
Buildings	1,176,978	159,299	(1,365)	(44,709)	312	1,290,515
Machinery and equipment	80,997	7,906	-	(10,039)	(954)	77,910
Transportation equipment	573,369	23,141	-	-	-	596,510
Leasehold improvements	1,349,794	266,990	-	(109,556)	(868)	1,506,360
Other equipment	3,566,416	$ 499,318	$ (1,507)	$ (164,913)	$ (1,417)	3,897,897
	$ 5,916,742					$ 6,534,791

	Year Ended December 31, 2012					
	Beginning Balance	Additions	Reclassified	Disposals	Exchange Differences	Ending Balance
Cost						
Land	$ 2,800,629	$ 100,545	$ 14,855	$ (115,990)	$ 160	$ 2,800,199
Buildings	1,067,873	89,690	70,623	(35,543)	(3,126)	1,189,517
Machinery and equipment	1,761,839	117,629	158,904	(35,438)	(3,733)	1,999,201
Transportation equipment	119,315	14,058	1,979	(9,767)	(1,289)	124,296
Leasehold improvements	752,063	10,791	(10,792)	(9,843)	-	742,219
Other equipment	2,222,853	171,223	14,153	(140,214)	(1,614)	2,266,401
Construction in progress	89,992	366,199	(47,153)	(46,919)	(794)	361,325
	8,814,564	$ 870,135	$ 202,569	$ (393,714)	$ (10,396)	9,483,158

(Continued)

	Year Ended December 31, 2012					
	Beginning Balance	Additions	Reclassified	Disposals	Exchange Differences	Ending Balance
Accumulated depreciation						
Land	$ 358,920	$ 35,298	$ -	$ (8,264)	$ (677)	$ 385,277
Buildings	1,061,436	133,177	-	(15,920)	(1,715)	1,176,978
Machinery and equipment	76,288	11,415	-	(6,282)	(424)	80,997
Transportation equipment	548,174	33,190	-	(7,994)	-	573,370
Leasehold improvements	1,277,837	298,547	-	(225,727)	(863)	1,349,794
Other equipment	3,322,655	$ 511,627	$ -	$ (264,187)	$ (3,679)	3,566,416
	$ 5,491,909					$ 5,916,742

(Concluded)

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

Buildings	
Main buildings	5-61 years
Electrical power equipment	8-16 years
Others	4-21 years
Machinery and equipment	3-30 years
Transportation equipment	2-16 years
Leasehold improvements	2-20 years
Other equipment	2-25 years

Refer to Note 28 for the carrying amount of property, plant and equipment pledged by the Group to secure borrowings/general banking facilities granted to the Group.

14. NON-CURRENT ASSETS - OTHER

	December 31, 2013	December 31, 2012	January 1, 2012
Land	$120,865	$120,865	$120,865
Prepaid lease payments	96,250	20,835	21,992
Long-term receivable	45,920	53,244	58,858
Others	16	16	-
	$263,051	$194,960	$201,715

Land is restricted to agricultural use and registered in the name of others. However, the Corporation retains control over the land. Land used as roads were also reclassified as other assets.

Prepaid lease payments include land use right, income transfer right, rent out and mortgage right, which are located in Mainland China. All of the acquired lots are used to build factories and office building. The period of land use rights is 50 years. The rights were acquired by Sinon China in 2001 and Sinon Nanton in 2013. Before the end of the lease period, the Corporation could renew the contract except if the rules are violated or the land is taken back in advance for public good.

15. BORROWINGS

a. Short-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Foreign currency loans	$ 814,101	$ 506,522	$ 311,890
Secured borrowings	640,302	496,518	533,162
Unsecured loans	250,000	245,000	330,390
	$ 1,704,403	$ 1,248,040	$ 1,175,442
Interest			
Foreign currency loans	1.05%-6.49%	1.15%-5.32%	0.89%-7.015%
Secured borrowings	1.29%-5.656%	1.32%-7.22%	1%-7.216%
Unsecured loans	1.008%-1.59%	1.17%-1.6%	0.893%-3.34%

b. Short-term bills payable

Short-term bills payable were commercial paper due within one year. These instruments were issued with an annual interest rate of 1.138%-1.208% in 2013 and 1.068%-1.108% in 2012.

c. Long-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Secured borrowings	$ 1,632,733	$ 2,305,250	$ 230,586
Non-secured borrowings	600,000	407,000	778,586
	2,232,733	2,712,250	1,009,172
Less: Current portion	(59,536)	(245,953)	(277,566)
	$ 2,173,197	$ 2,466,297	$ 731,606
Interest			
Secured borrowings	1.797%-2.95%	1.8%-1.893%	1.72%-2.355%
Non-secured borrowings	1.665%-1.797%	1.786%-1.844%	1.761%-1.93%

In January 2012, to meet the requirements of long-term financial plans, working capital needs, and capital project expenditures, the Corporation and Sinon Cayman entered into a NT$3.4 billion syndicated loan agreement with Mega International Commercial Bank and other 7 banks. The loan period is 5 years, which may vary depending on the loan type, starting from the first loan drawdown date. Under the loan agreement, the Corporation commits to meet the following ratios based on the annual and semiannual consolidated financial statements: current ratio no lower than 70%, financial debt ratio no higher than 130%, interest coverage ratio at least 600% and shareholders' equity no less than $3.8 billion.

16. CONVERTIABLE BONDS PAYABLE

As of August 15, 2013, the Corporation issued 12 thousand 0% NT dollar-denominated unsecured convertible bonds in Taiwan, with an aggregate principal amount of $1,200,000 thousand.

Each bond entitles the holder to convert into ordinary shares of the Corporation at a conversion price of $16. Conversion may occur at any time between September 16, 2013 and August 5, 2018. If the bonds have not been converted, they will be redeemed on August 15, 2018 at $100 thousand each. The bondholder has the right to require the Corporation to redeem all or part of the bondholdings on August 5, 2016 at principal amount plus interest rate of 0% per annum.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 2.2142% per annum on initial recognition.

Proceeds from issue (less transaction costs $5,175 thousand)	$ 1,194,825
Equity component (less transaction costs allocated to the equity component of $484 thousand and related tax effected of $XX thousand)	(110,876)
Conversion option derivative	(9,600)
Liability component at the date of issue (less transaction costs allocated to the liability component of $4,691 thousand)	1,074,349
Interest charged at an effective interest rate	8,948
Convertible bonds converted into common shares	(449)
Liability component at December 31, 2013	$ 1,082,848

Movements of the conversion option derivative instrument in 2013 were as follows:

Issued date	$ 9,600
Fair value changes gain (loss)	(4,798)
Convertible bonds converted into common shares	(4)
Balance at December 31, 2013	$ 4,798

The convertible bonds were issued at face value, recognized by embedded derivative and host contract, including call and put option, and are measured at fair value; the changes in fair value are recognized in profit or loss and the liability component of the convertible bonds is measured at amortized cost using the effective interest method.

As of December 31, 2013, the bondholders exercise their conversion rights with $500 thousand to convert into 31 thousand shares.

17. OTHER PAYABLE

	December 31, 2013	December 31, 2012	January 1, 2012
Accrued payroll and bonuses	$ 362,268	$ 370,909	$ 281,957
Bonus to employees and directors	21,341	22,126	19,501
Accrued payable on land	10,994	12,199	288,378
Others	324,735	270,780	198,792
	$ 719,338	$ 676,014	$ 788,628

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation 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 contribution to the Bureau of Social Security under applicable social benefit laws in the People's Republic of China is 10% of monthly salaries of employees for Sinon Zhongshan, Sinon Zhongshan Servings, Synjia Zhongshan and 22% for Sinon China. The employees' contributions are 8% of their monthly salaries.

Sinon Brazil, Sinon Thailand and Sinon Australia contribute certain percentages of salaries for medication and retirement benefits.

Sinon USA, Sinon Mexico, Sinon Germany and Sinon Indonesia, and Sinon Australia have no pension plans.

Sinon Cayman, Sinon Hong Kong, Synjia Cayman and Synjia Hong Kong are investment holding companies that have no pension plan.

Such pension costs of these defined contribution plan were $50,548 thousand and $46,444 thousand for the years ended December 31, 2013 and 2012, respectively.

b. Defined benefit plans

The Corporation 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 Corporation, K&S, Sinon Baseball and TFS make monthly contributions equal to 2% of salaries to a pension fund. The funds are administered by pension fund monitoring committees and deposited in the committees' name in the Bank of Taiwan. Pension costs and contributions of other companies in the Group are calculated at amounts equal to certain percentage of salaries. The percentage rates are: Syntai Chemicals and Hsing Wei contribution 3%, Feng Nien accrual 4%, and Sinon Trading accrual 3%.

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Enforcement Rules of the Labor Pension Act, 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:

	December 31, 2013	December 31, 2012	January 1, 2012
Discount rate(s)	1.75%	1.5%	1.75%
Expected return on plan assets	1.75%	1.75%	2%
Expected rate(s) of salary increase	3%	3%	2.5%

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

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

	For the Year Ended December 31	
	2013	2012
Current service cost	$ 24,075	$ 22,595
Interest cost	17,891	18,077
Expected return on plan assets	(2,459)	(3,083)
Past service cost	(11)	(11)
	$ 39,496	$ 37,578

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012 were $20,609 thousand and $147,411 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2013 and 2012 was $126,802 thousand and $147,411 thousand, respectively.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded defined benefit obligation	$ 1,191,114	$ 1,195,216	$ 1,036,065
Fair value of plan assets	(126,740)	(144,847)	(155,336)
Present value of unfunded defined benefit obligation	1,064,374	1,050,369	880,729
Past service cost not yet recognized	62	73	83
	$ 1,064,436	$ 1,050,442	$ 880,812

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

	For the Year Ended December 31	
	2013	2012
Opening defined benefit obligation	$ 1,195,216	$ 1,036,065
Current service cost	30,399	16,847
Interest cost	17,891	18,077
Actuarial losses/(gains)	(20,609)	147,411
Benefits paid	(31,783)	(23,184)
Closing defined benefit obligation	$ 1,191,114	$ 1,195,216

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

	For the Year Ended December 31	
	2013	2012
Opening fair value of plan assets	$ 144,847	$ 155,336
Expected return on plan assets	2,459	2,505
Actuarial losses/(gains)	(701)	(1,652)
Exchange differences on foreign plans	11,918	10,524
Benefits paid	(31,783)	(21,866)
Closing fair value of plan assets	$ 126,740	$ 144,847

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

	December 31, 2013	December 31, 2012	January 1, 2012
Deposit in financial institutions	23	25	24
Investment stocks and beneficiary certificates	8	9	10
Short-term bills	4	10	8
Bonds	10	10	11
Foreign investment	34	27	24
Others	21	19	23
	100	100	100

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 (Note 31):

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$(1,191,072)	$(1,202,200)	$(1,038,954)
Fair value of plan assets	$ 126,740	$ 144,847	$ 155,336
Deficit	$(1,064,332)	$(1,057,353)	$ (883,618)
Experience adjustments on plan liabilities	$ 5,599	$ 12,395	$ (506)
Experience adjustments on plan assets	$ (701)	$ (1,652)	$ (1,572)

The Group expects to make a contribution of $48,169 thousand and $39,496 thousand to the defined benefit plans during the annual period beginning after 2013 and 2012, respectively.

19. EQUITY

a. Common stock

	December 31, 2013	December 31, 2012	January 1, 2012
Number of shares authorized (in thousands)	500,000	390,000	390,000
Shares authorized	$ 5,000,000	$ 3,900,000	$ 3,900,000
Number of shares issued and fully paid (in thousands)	333,723	333,692	333,692
Convertible bonds (in thousands)	31	-	-
Shares issued	$ 3,337,233	$ 3,336,920	$ 3,336,920

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

The Group's first convertible bonds were issued on August 15, 2013 (Note 16).

b. Capital surplus

	December 31, 2013	December 31, 2012	January 1, 2012
Additional paid-in capital	$ 51,883	$ 47,879	$ 47,879
From differences between equity purchase price and carrying amount arising from acquisition or disposal of subsidiaries	5,089	-	-
Arising on share-based payments	(64)	4,004	-
Stock warrants	110,876	-	-
Share premium	140	-	-
	$ 167,924	$ 51,883	$ 47,879

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares, conversion of bonds, treasury share transactions, and excess of the consideration received over the carrying amount of the subsidiaries' net assets during disposal or acquisition) and donations may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

The capital surplus from long-term investments, employee share options and share warrants may not be used for any purpose.

c. Retained earnings and dividend policy

Under the Articles of Incorporation of the Corporation, legal reserve and special reserve should be appropriated from annual net income less any deficit. The remainder should be appropriated as follows:

1) 1% as bonus to employees;

2) Up to 5% as remuneration to directors and supervisors; and

3) Any remainder, as dividends to stockholders.

These appropriations should be resolved by the board of directors and approved by the stockholders in the following year and given effect to in the financial statements of that year.

The Articles of Incorporation also provide that, in line with the Corporation's continuing growth, cash dividend payable may not be lower than 30% of the total dividends distributed. If total dividends to be distributed are under NT$100,000 thousand, the limitation can be waived.

For the years ended December 31, 2013 and 2012, the bonus to employees was $3,492 thousand and $3,659 thousand, respectively, and the remuneration to directors and supervisors was $17,462 thousand and $18,295 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 1% and 5%, respectively, of net income (net of the bonus and remuneration). Material differences between such estimated amounts and the amounts proposed by the board of directors 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 were 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 share 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 and unrealized gain (loss) on available-for-sale financial assets) shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated before January 1, 2012 shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

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

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation'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 Corporation.

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

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2012	2011	2012	2011
Legal reserve	$ 40,655	$ 35,831		
Cash dividends	266,954	266,954	$ 0.8	$ 0.8
	$ 307,609	$ 302,785		

Bonus to employees and remuneration to directors and supervisors for 2012 and 2011 approved in the shareholders' meetings, were as follows:

	For the Year Ended December 31	
	2012	2011
Bonus to employees	$ 3,659	$ 3,225
Remuneration to directors and supervisors	18,295	16,124

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

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

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

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 45,583	
Special reserve	61,013	
Cash dividends	266,979	$ 0.8

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2013 are subject to the resolution in the shareholders' meeting to be held in June 2014. Information on the bonus to employees, directors and supervisors proposed by the Corporation's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

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

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

20. TREASURY SHARES

In November 2012, treasury stocks of 2,395 thousand shares were granted to qualified employees as proposed by the board of directors.

The compensation cost of employee stock options was NT$4,004 thousand. The stock options were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

Valuation assumptions:	
Stock price on grant date (NT$/share)	$ 13.15
Exercise price (NT$/share)	11.5
Expected volatility	18%
Expected life	51 days
Expected stock interest rate	0%
Risk free interest rate	0.88%

Purpose	Beginning Balance	Increase	Decrease	Ending Balance
Year ended December 31, 2013				
For transfer to employees	2,395,000	-	2,395,000	-
Year ended December 31, 2012				
For transfer to employees	2,395,000	-	-	2,395,000

Under the regulations of the Securities and Futures Bureau, shares repurchased cannot exceed 10% of total shares issued. In addition, total repurchase cost cannot exceed the sum of retained earnings and realized capital surplus. Further, the Corporation may not pledge repurchased shares and may not exercise stockholders' rights on treasury shares.

21. NET PROFIT (LOSS)

a. Other income

	For the Year Ended December 31 2013	2012
Rental income	$ 11,241	$ 7,649
Interest income	12,510	10,198
Dividends	1,547	1,672
Others	1,983	39,157
	$ 27,281	$ 58,676

b. Other gains and losses

	For the Year Ended December 31	
	2013	2012
Gain on disposal of property, plant and equipment	$ 976	$ 116,046
Loss on disposal of investment	(10,328)	(17,495)
Net foreign exchange losses	(54,720)	(4,097)
Net gain arising on financial liabilities classified as held for trading	4,798	-
Others	(15,493)	(14,915)
	$ (74,767)	$ 79,539

Net gain on financial liabilities held for trading was earned from the issue of convertible bonds.

c. Finance costs

	For the Year Ended December 31	
	2013	2012
Interest on bank overdrafts and loans	$ 65,384	$ 63,586
Interest on convertible bonds	8,948	-
Other finance costs	2,274	3,084
	$ 76,606	$ 66,670

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2013	2012
Capitalized interest	$ 9,661	$ 2,578
Capitalization rate	1.8739%	1.78%-1.89%

d. Depreciation

	For the Year Ended December 31	
	2013	2012
An analysis of depreciation by function		
Operating costs	$ 303,175	$ 257,846
Operating expenses	196,143	253,781
	$ 499,318	$ 511,627

e. Employee benefits expense

	For the Year Ended December 31	
	2013	2012
Short-term benefits	$ 1,680,865	$ 1,623,025
Post-employment benefits		
Defined contribution plans	50,548	46,444
Defined benefit plans	39,496	37,578
Other employee benefits	264,140	219,003
Total employee benefits expense	$ 2,035,049	$ 1,926,050
An analysis of employee benefits expense by function		
Operating costs	$ 475,054	$ 405,990
Operating expenses	1,559,995	1,520,060
	$ 2,035,049	$ 1,926,050

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

	For the Year Ended December 31	
	2013	2012
Current tax		
In respect of the current year	$ 141,020	$ 136,456
Income tax expense of unappropriated earnings	13,163	19,635
In respect of prior periods	9,350	2,205
Deferred tax		
In respect of the current year	(9,841)	(42,549)
Income tax expense recognized in profit or loss	$ 153,692	$ 115,747

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

	For Year Ended December 31	
	2013	2012
Income tax expense calculated at the statutory rate	$ 141,020	$ 136,456
Tax effect on adjusting items:		
Tax-exempt income	(16,633)	(50,127)
Permanent differences	(4,955)	7,242
Temporary differences	12,168	10,289
Additional 10% income tax on unappropriated earnings	13,163	19,635
Investment tax credits used	(10,120)	(20,370)
Current income tax expense	134,643	103,125
Deferred income tax		
Temporary difference	9,699	10,417
Prior year's adjustment	9,350	2,205
Income tax expense	$ 153,692	$ 115,747

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

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

b. Deferred tax assets and liabilities

For the year ended December 31, 2013

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Associates	$ 39,277	$ 5,126	$ -	$ 44,403
Provisions	11,151	9,680	-	20,831
Defined benefit obligation	62,503	(3,521)	3,504	62,486
Others	38,942	(23,769)	-	15,173
	$ 151,873	$ (12,484)	$ 3,504	$ 142,893
Deferred Tax Liabilities				
Temporary differences				
Land appreciation Tax	$ 227,815	$ -	$ -	$ 227,815
Foreign investment income	18,582	152	-	18,734
Others	18,582	(14,549)	-	4,033
	$ 264,979	$ (14,397)	$ -	$ 250,582

For the year ended December 31, 2012

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Associates	$ 64,569	$ (25,292)	$ -	$ 39,277
Provisions	6,351	4,800	-	11,151
Defined benefit obligation	80,694	6,868	(25,059)	62,503
Others	3,713	35,229	-	38,942
	$ 155,327	$ 21,605	$ (25,059)	$ 151,873
Temporary differences				
Land appreciation Tax	$ 258,196	$ (30,381)	$ -	$ 227,815
Foreign investment income	16,440	2,142	-	18,582
Others	16,444	2,138	-	18,582
	$ 291,080	$ (26,101)	$ -	$ 264,979

c. As of December 31, 2013, profits attributable to the following expansion projects were exempted from income tax:

Expansion Project	Tax-exemption Period
Construction and expansion of 2009 by the Corporation	From January 2011 to December 2015
Construction and expansion of 2008 by Hsing Wei	From January 2011 to December 2015

d. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

	December 31, 2013	December 31, 2012	January 1, 2012
Deductible temporary differences	$ 102,805	$ 73,561	$ 110,327

e. Integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	$ -	$ -	$ 57,427
Unappropriated earnings generated on and after January 1, 1998	1,041,037	875,168	683,297
	$ 1,041,037	$ 875,168	$ 740,724

The decrease in the Company's accumulated retained earnings was due to first-time adoption of Taiwan-IFRSs. The Company shall debit accumulated retained earnings to the extent of amount generated before December 31, 1997, otherwise to amount generated after January 1, 1998.

	December 31, 2013	December 31, 2012	January 1, 2012
Imputation credit accounts	$ 115,895	$ 94,602	$ 70,877

The creditable ratio for distribution of earnings of 2013 and 2012 was 11.13% (expected ratio) and 15.41%, respectively.

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

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

f. Income tax assessments

Income tax returns through 2011 of the corporation and ROC subsidiaries have been assessed by the tax authorities.

23. EARNINGS PER SHARE

	Amounts (Numerator)	Number of Shares (In Thousands)	EPS (NT$)
For the year ended December 31, 2013			
Basic EPS			
Net income available to common shareholders of the parent	$ 455,830	333,495	$ 1.37
Effect of dilutive potential common stock			
Bonus to employees	-	209	
Convertible bonds	4,150	28,555	
Diluted EPS			
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	$ 459,980	362,259	$ 1.27
For the year ended December 31, 2012			
Basic EPS			
Net income available to common shareholders of the parent	$ 418,770	333,692	$ 1.25
Effect of dilutive potential common stock			
Bonus to employees	-	260	
Diluted EPS			
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	$ 418,770	333,952	$ 1.25

If the Group can settle bonus to employees in cash or shares, the Group 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.

24. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of land with lease terms between 5 and 10 years. The Group does not have a bargain purchase option to acquire the leased land at the expiration of the lease periods.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than 1 year	$ 153,905	$ 127,844	$ 148,519
Later than 1 year and not later than 5 years	420,523	431,033	386,655
Later than 5 years	258,896	216,520	341,969
	$ 833,324	$ 775,397	$ 877,143

The lease payments and sublease payments recognized in expense for the current period were as follows:

	For Year Ended December 31	
	2013	2012
Minimum lease payment	$ 279,342	$ 245,457

25. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising share capital, capital surplus, retained earnings and other equity).

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. On the basis of the recommendations of the directors, to balance the overall capital structure, the Group may adjust the amount of dividends for distribution, the number of new shares issued, or the amount of new debt issued or existing debt redeemed.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Short-term financial instruments used book value as fair value because the carrying amounts reported in the balance sheets approximate their fair value. The accounts include cash and cash equivalents, notes receivable and payable, other receivable, refundable deposits, short-term bank loans, short-term bills payable, accounts receivable and payable, other payable and guarantee deposits received.

2) Fair value measurements recognized in the consolidated balance sheets

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

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

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

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

December 31, 2013

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Stock listed in the ROC	$ 9,009	$ -	$ -	$ 9,009
Mutual funds	10,547	-	-	10,547
Financial assets measured at cost – noncurrent				
Stock not listed in the ROC	-	-	18,918	18,918
	$ 19,556	$ -	$ 18,918	$ 38,474
Financial liabilities at FVTPL				
Conversion option	$ -	$ 4,798	$ -	$ 4,798
Financial assets measured at cost – noncurrent				
Convertible bonds	1,082,848	-	-	1,082,848
	$ 1,082,848	$ 4,798	$ -	$ 1,087,646

December 31, 2012

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Stock listed in the ROC	$ 18,229	$ -	$ -	$ 18,229
Mutual funds	5,380	-	-	5,380
Financial assets measured at cost – noncurrent				
Stock not listed in the ROC	-	-	18,918	18,918
	$ 23,609	$ -	$ 18,918	$ 42,527

January 1, 2012

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Mutual funds	$ 31,001	$ -	$ -	$ 31,001
Financial assets measured at cost – noncurrent				
Stock not listed in the ROC	-	-	24,918	24,918
	$ 31,001	$ -	$ 24,918	$ 55,919

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

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

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

   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. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

   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

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets			
Loans and receivables	$ 3,283,623	$ 3,157,009	$ 2,285,294
Available-for-sale financial assets	19,556	23,609	31,001
Financial assets measured at cost - noncurrent	18,918	18,918	24,918
Financial liabilities			
Fair value through profit or loss (FVTPL)	4,798	-	-
Amortized cost (iv)	7,524,836	6,284,690	4,544,517

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, note receivable, trade and other receivables, and refundable deposit. Those reclassified to held-for-sale disposal groups are also included.

2) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, short-term bills payable, notes payable, accounts payable, other payables, bonds issued, and guarantee deposit received.

c. Financial risk management objectives and policies

The Group's major financial instruments include trade receivable, trade payables, and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Corporation's board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

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

a) Foreign currency risk

Several subsidiaries of the Corporation have foreign currency sales and purchases, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period are listed in Note 30.

Sensitivity analysis

For a 1% weakening of US dollars against the functional currency, there would be opposite impact on pre-tax profit as follows:

	For Year Ended December 31	
Functional Currency	**2013**	**2012**
NTD	$ 15,635	$ 11,511
BRL	(24,367)	(6,225)

This was mainly attributable to the exposure of outstanding receivables and payables denominated in USD, which were not hedged at the end of the reporting period. The above table details the Group's sensitivity to a 1% increase and decrease in U.S. dollars against the relevant functional currencies. The sensitivity rate of 1% is 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.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

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

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Cash flow interest rate risk			
Financial assets	$ 1,129,300	$ 807,762	$ 790,550
Financial liabilities	3,937,136	3,960,290	4,133,071

Sensitivity analysis

For financial assets and liabilities, assuming all other variables were held constant, a hypothetical increase in interest rate of 100 basis point (0.25%) would have resulted in an increase in the interest expense before tax by approximately $2,348 thousand and $1,487 thousand for the years ended December 31, 2013 and 2012, respectively. A sensitivity rate of 0.25% increase or decrease was used when reporting interest rate risk internally to the directors and represents the directors' assessment of the reasonably possible change in interest rates.

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 equal the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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 debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

Trade receivables are dispersed in various industries and geographical locations. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

The Group's concentration of credit risk by geographical location was in Brazil, which accounted for 26%, 30% and 15% of the total trade receivable as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

3) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Group had available unutilized short-term bank loan facilities in the amounts of $5,129,180 thousand, $3,175,735 thousand and $2,836,402 thousand, respectively.

The following tables 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.

Non-derivative financial assets	Weighted Average Interest rate	Less Than 3 Months	3 Months to 1 Year	1+Year
December 31, 2013				
Noninterest bearing	-	$ 2,256,937	$ -	$ -
Variable interest rate instruments	2.0167%	1,704,403	159,536	2,173,197
		$ 3,961,340	$ 159,536	$ 2,173,197
December 31, 2012				
Noninterest bearing	-	$ 2,014,120	$ -	$ -
Variable interest rate instruments	1.9760%	1,248,040	435,953	2,466,297
		$ 3,262,160	$ 435,953	$ 2,466,297
January 1, 2012				
Noninterest bearing	-	$ 2,061,737	$ -	$ -
Variable interest rate instruments	2.0445%	1,175,442	467,566	731,606
		$ 3,237,179	$ 467,566	$ 731,606

27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, 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.

a. Sales of goods

Related Party Type	For the Year Ended December 31 2013	2012
Associates	$ 2,033	$ 3,288

There was no material difference in sales prices and terms between related and third parties. The general credit term was 30 to 60 days.

The balance of receivables from related parties was as follows:

Related Party Type	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 1,316	$ 352	$ 320

The balance of payable to related parties was as follows:

Related Party Type	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 5,133	$ 836	$ 894

The outstanding trade payables to related parties are unsecured. No expense was recognized for the years ended December 31, 2013 and 2012 for allowance for impairment of trade receivables with respect to the amounts owed by related parties.

b. Compensation of key management personnel

	For the Year Ended December 31	
	2013	2012
Short-term employee benefits	$ 19,751	$ 18,895
Post-employment benefits	424	413
Share-based payments	463	-
	$ 20,638	$ 19,308

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

c. Others

	For the Year Ended December 31	
	2013	2012
1) Manufacturing and operating expenses		
Associates	$ 2,398	$ 3,750

2) Purchase property transactions

Objects	Account Items	For the Year Ended December 31 2013	2012
Associates	Other assets	$ 3,352	$ 2,871

	December 31, 2013	December 31, 2012	January 1, 2012
3) Other receivable			
Associates	$ 254	$ 290,275	$ 291
4) Other current liabilities			
Associates	$ 130	$ 56	$ 114

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for commercial paper, performance guarantee, letters of credit, bank borrowings, and for hiring foreign workers:

	December 31, 2013	December 31, 2012	January 1, 2012
Inventories - construction	$ 310,000	$ -	$ -
Property, plant and equipment	2,148,581	2,195,760	1,427,199
Refundable deposit	1,900	100	12,100
	$ 2,460,481	$ 2,195,860	$ 1,439,299

The Group's mortgaged assets that have been eliminated for consolidation purposes were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Trade receivables	$ 134,305	$ 235,830	$ 270,610

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Significant commitments

1) As of December 31, 2013, December 31, 2012 and January 1, 2012, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately $38,631 thousand, $88,543 thousand and $43,513 thousand, respectively.

2) TFS issued coupons and performance guarantees to banks in the amounts of $18,020 thousand, $28,217 thousand and $20,823 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

b. Unrecognized commitments are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Acquisition of property, plant and equipment	$ 66,168	$ 226,766	$ 47,822

c. Housing construction contract with company:

	December 31, 2013	December 31, 2012	January 1, 2012
Price	$ 189,524	$ -	$ -
Paid according to progress of the project	(136,457)	-	-
	$ 53,067	$ -	$ -

d. Signed by pre-sale purchase agreement

	December 31, 2013	December 31, 2012	January 1, 2012
Guo'an section			
Price	$ 189,680	$ -	$ -
Received amount	37,286	-	-

30. 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			December 31, 2012			January 1, 2012		
	Foreign Currency	Exchange Rate	Book Value	Foreign Currency	Exchange Rate	Book Value	Foreign Currency	Exchange Rate	Book Value
Financial assets									
Monetary items									
USD (USD/NTD)	$ 51,714	29.95	$ 1,548,834	$ 35,631	29.136	$ 1,038,155	$ 19,093	30.29	$ 578,342
Financial liabilities									
Monetary items									
USD (USD/NTD)	75,157	29.95	2,250,982	46,707	29.136	1,360,861	29,322	30.29	888,159
USD (USD/BRL)	69,935	2.362	150,920	39,801	2.046	81,433	25,911	1.863	48,272

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others: Table 1

2) Endorsements/guarantees provided: Table 2

3) Marketable securities held: Table 3

4) Marketable securities acquired and disposed of at costs or prices at least NT$300 million or 20% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: Table 4

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 6

9) Trading in derivative instruments: Note 16

10) Intercompany relationships and significant intercompany transactions: Table 7

11) Information on investees: Table 8

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 9

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

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None

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

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1

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

32. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments under SFAS No. 41 are therefore as follows:

a. Crop protection - manufacture chemicals and fertilizer.

b. Supermarket - supermarket and general retail industry.

The analysis of the Group's revenue and results by reportable segment: Table 10

33. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation for financial information under IFRSs

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

b. Impact of 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

Item	ROC GAAP	Effect of Transition to Taiwan IFRSs	IFRSs	Note
Assets				
Deferred tax assets - current	$ 31,297	$ (31,297)	$ -	5)
Other current assets	90,455	(62,622)	27,833	5)
Investments accounted for using equity method	28,732	(9,974)	18,758	4)
Property, plant and equipment, net	4,899,536	592,373	5,491,909	4), 5)
Deferred assets	166,229	(26,229)	140,000	5)
Deferred tax assets - noncurrent	125,604	29,723	155,327	5)
Other assets	184,535	17,180	201,715	5), d)
Liabilities				
Reserve for land revaluation	258,196	(258,196)	-	5)
Accrued pension cost	569,806	311,006	880,812	4), 5)
Deferred tax liabilities	-	291,080	291,080	5)
Equity				
Cumulative translation adjustments	76,138	(76,138)	-	4)
Net loss not recognized as pension cost	(214,238)	214,238	-	4)
Unrealized revaluation increments	415,877	(415,877)	-	4)
Retained earnings	822,101	(81,377)	740,724	4)

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

Item	ROC GAAP	Effect of Transition to Taiwan IFRSs	IFRSs	Note
Assets				
Deferred tax assets - current	$ 19,732	$ (19,732)	$ -	5)
Other current assets	148,530	(138,158)	10,372	5)
Investments accounted for using equity method	59,212	(9,974)	49,238	4)
Property, plant and equipment, net	5,472,589	444,153	5,916,742	4), 5)
Deferred assets	24,665	(24,665)	-	5)
Deferred tax assets - noncurrent	116,290	35,583	151,873	5)
Other assets	125,641	69,319	194,960	5)
Liabilities				
Reserve for land revaluation	227,815	(227,815)	-	5)
Accrued pension cost	639,981	410,461	1,050,442	4), 5)
Deferred tax liabilities	-	264,979	264,979	5)

(Continued)

Item	ROC GAAP	Effect of Transition to Taiwan IFRSs	IFRSs	Note
Equity				
Cumulative translation adjustments	$ 9,386	$ (76,138)	$ (66,752)	4)
Unrealized gain and loss on financial instrument	2,468	-	2,468	
Net loss not recognized as pension cost	(235,266)	235,266	-	4)
Unrealized revaluation increments	400,321	(400,321)	-	4)
Retained earnings	1,066,688	(191,520)	875,168	4)

(Concluded)

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

Item	ROC GAAP	Effect of Transition to IFRSs	IFRSs	Note
Operating expenses	$ 3,337,233	$ (27,348)	$ 3,309,885	5)
Gain on disposal of fixed assets	138,954	(15,556)	123,398	4)
Income tax expense	116,184	(437)	115,747	5)
Other comprehensive income				
Exchange differences on translating foreign operations	-	(66,752)	(66,752)	
Unrealized gain on available-for-sale financial assets	-	2,897	2,897	
Actuarial gain and loss arising from defined benefit plans	-	(147,411)	(147,411)	5)
Share of other comprehensive income of associates	-	(626)	(626)	5)
Income tax relating to components of other comprehensive income	-	25,059	25,059	5)

4) Exemptions from IFRS 1

IFRS 1 "First-time Adoption of International Financial Reporting Standards" establishes the procedures for the Group's first consolidated financial statements prepared in accordance with Taiwan-IFRSs. Under IFRS 1, the Group is required to determine the accounting policies under Taiwan-IFRSs and retrospectively apply those accounting policies to its opening balance sheet at the date of transition to Taiwan-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:

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. All other property, plant and equipment, investment properties and intangible assets applied IFRSs retrospectively.

Employee benefits

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

Cumulative translation differences

The Group elected to reset the cumulative translation differences to zero at the date of transition to IFRSs and adjusted retained earnings accordingly.

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

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

a) Deferred tax asset/liability

Under ROC GAAP, deferred tax assets are recognized in full but are reduced by a valuation allowance account if there is evidence showing that a portion or all of the deferred tax assets will not be realized. However, under IFRSs, an entity recognizes deferred tax assets only if realization is "probable" and a valuation allowance account is not used.

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

b) Employee benefits - defined benefit 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. Since there is no transition application under IAS No. 19, "Employee Benefits," unrecognized net transition obligation and related amounts are 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 Corporation and its subsidiaries should carry out actuarial valuation of 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.

c) Prepayments for equipment

Under ROC GAAP, prepayments for equipment are classified as property, plant and equipment. The prepayments for equipment are classified as prepayments and presented under non-current assets at the transition to IFRSs.

d) Land use rights

Under ROC GAAP, land use rights are classified under intangible assets. Under IFRSs, in accordance with IAS 17, "Leases," land use rights are classified as prepaid rent - noncurrent.

e) Reserve for land revaluation increment tax

Under the Guidelines Governing the Preparation of Financial Reports by Securities Issuers; the reserve for land revaluation increment tax 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 reserve for land revaluation increment tax may be reclassified to deferred tax liabilities - land revaluation increment tax.

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

According to ROC GAAP, interest paid and received and dividends received are classified as operating activities while dividends paid are classified as financing activities. Additional disclosure is required for interest expenses when reporting cash flow using indirect method. However, under IAS 7" Statement of Cash 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.

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

SINON CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO RELATED PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Highest Balance for the Period (Note 1)	Ending Balance (Notes 1 and 4)	Range of Interest Rate (%)	Type of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Maximum Amount Loanable to Individual Borrower (Note 2)	Maximum Amount Loanable by the Financier (Note 3)
											Item	Value		
0	Sinon Corporation	Sinon USA	Other receivables	US$ 500	US$ 500	-	Short-term financing	$ -	Operation	$ -	-	-	$ 493,040	$ 986,081
		Sinon Germany	Other receivables	US$ 500	US$ 500	-	Short-term financing	-	Operation	-	-	-	493,040	986,081
		Sinon Thailand	Other receivables	US$ 1,000	US$ 1,000	-	Short-term financing	-	Operation	-	-	-	493,040	986,081
		Sinon Zhongshan	Other prepayments	US$ 2,500	US$ 2,500	-	Short-term financing	-	Operation	-	-	-	493,040	986,081
		Sinon China	Other prepayments	US$ 5,000	US$ 5,000	-	Short-term financing	-	Operation	-	-	-	493,040	986,081
		Sinon Brazil	Other receivables	US$ 12,000	US$ 12,000	-	Short-term financing	-	Operation	-	-	-	493,040	986,081
1	Sinon China	Sinon Zhongshan Servings	Other receivables	RMB 8,000	RMB 8,000	-	Short-term financing	-	Operation	-	-	-	RMB 20,556	RMB 32,889
		Sinon Zhongshan	Other receivables	RMB 4,000	RMB 4,000	-	Short-term financing	-	Operation	-	-	-	RMB 20,556	RMB 32,889
		Shanghai YU TING	Other receivables	RMB 10,000	RMB 10,000	6	Short-term financing	-	Operation	-	-	-	RMB 20,556	RMB 32,889

Note 1: The amount of financing provided to related parties was approved by the board of directors. Shanghai YU TING used RMB8,500 thousand in 2013. Others did not use the amount of financing in the year.

Note 2: The financing amount of the Corporation should not exceed 10% of the Corporation's stockholders' equity; that of subsidiaries should not exceed 25% of the subsidiaries' stockholders' equity.

Note 3: The financing amount of the Corporation should not exceed 20% of the Corporation's stockholders' equity; that of subsidiaries should not exceed 40% of the subsidiaries' stockholder equity.

Note 4: Significant intercompany accounts and transactions have been eliminated.

TABLE 2

SINON CORPORATION AND SUBSIDIARIES

ENDORSEMENT/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsed/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given On behalf of Companies in Mainland China
		Name	Nature of Relationship										
0	Sinon Corporation	TFS	(Note 1)	(Note 2)	$ 50,000	$ -	$ -	None	-	$ 1,972,162	Y	-	-
		Syntai Chemicals	(Note 1)	(Note 2)	50,000	-	-	None	2.86	1,972,162	Y	-	-
					US$ 4,700	US$ 4,700	US$ 4,700						
		Sinon China	(Note 1)	(Note 2)	US$ 4,000	US$ 4,000	RMB$ 18,001	None	2.43	1,972,162	Y	-	Y

Note 1: See Note 1 to the consolidated financial statements.

Note 2: Domestic subsidiary, based on 20% of issued capital of the guarantor; overseas subsidiary, based on 30% of issued capital of the guarantor; total guarantee, based on 40% of issued capital of guarantor.

SINON CORPORATION AND SUBSIDIARIES

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

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2012				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Syntai Chemicals	Common stock							
	Hua Nan Financial Holdings Co., Ltd.	Nil	Available-for-sale financial assets - current	57,750	$ 1,005	-	$ 1,005	
	FSP Technology Inc.	Nil	Available-for-sale financial assets - current	53,000	1,442	-	1,442	
	Chang Hwa Commercial Bank, Ltd.	Nil	Available-for-sale financial assets - current	38,092	699	-	699	
	APAC Opto Electronics Inc.	Nil	Available-for-sale financial assets - current	38,000	1,037	-	1,037	
	Beneficiary certificate							
	Evenstar Fund	Nil	Available-for-sale financial assets - current	109	10,574	-	10,574	
Hsing Wei	Common stock							
	Chang Hwa Commercial Bank, Ltd.	Nil	Available-for-sale financial assets - current	85,032	1,560	-	1,560	
	Hua Nan Financial Holdings Co., Ltd.	Nil	Available-for-sale financial assets - current	57,750	1,005	-	1,005	
	FSP Technology Inc.	Nil	Available-for-sale financial assets - current	42,000	1,142	-	1,142	
	APAC Opto Electronics Inc.	Nil	Available-for-sale financial assets - current	40,000	1,092	-	1,092	

Note 1: Listed companies and OTC stocks have been calculated according to closing price at the balance sheet date. Beneficiary certificates have been calculated according to closing price of the balance sheet date. The estimated fair values of securities held without available quoted market price were based on the net assets of the investees.

Note 2: Significant intercompany accounts and transactions have been eliminated.

TABLE 4

SINON CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Company Name	Property Name	Transaction Date	Transaction Amount	Payment Status	Counterparty	Nature of the Relationship	Information on Previous Title Transfer if Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Nature of the Relationship	Transaction Date	Amount			
Sinon Corporation	Land in Shigangkeng section and Fuxing Section, Puli Township, Nantou County	2013.01-2013.12	$ 345,605	All paid	Miss Chen, 5 people etc.	None	-	-	-	$ -	Negotiated	Expanding the development of delicate agriculture	None

SINON CORPORATION AND SUBSIDIARIES

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

Purchaser or Seller	Related Party	Nature of the Relationship with the Purchaser or Seller	Transaction Details				Abnormal Transaction		Notes and Accounts Receivable (Payable)		Note
			Purchase or Sales	Amount	% to Total	Payment/Collection Terms	Unit Price	Collection Terms	Ending Balance	% to Total	
Sinon Corporation	Sinon China	Subsidiary	Purchase	$ 617,698	10	30-60 days after transaction day	$ -	-	$ (16,126)	(1)	
	Syntai Chemicals	Subsidiary	Purchase	339,800	5	30-60 days after transaction day	-	-	(23,315)	(2)	
	Sinon Brazil	Subsidiary	Sales	(1,084,646)	(12)	T/T 180-270 days after transaction day	-	-	894,147	46	
	Sinon Thailand	Subsidiary	Sales	(198,248)	(2)	T/T 180-270 days after transaction day	-	-	96,796	5	

Note: Significant intercompany accounts and transactions have been eliminated, please see Table 7.

SINON CORPORATION AND SUBSIDIARIES

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF PAID-IN CAPITAL
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollar, Unless Stated Otherwise)

Company Name	Related Party	Nature of the Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts
					Amount	Action Taken		
Sinon Corporation	Sinon Brazil	Subsidiary	$ 894,147	1.48	$ -	-	$ 159,552	$ -

Note: Ending balances included accounts receivable and pledged accounts receivable. Significant intercompany accounts and transactions have been eliminated, please see Table 7.

TABLE 7

SINON CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEARS ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Company Name	Counterparty	Relationship (Note 1)	Transaction Details			
				Account	Amount	Terms	Ratio to Consolidated Sales or Consolidated Assets
0	Sinon Corporation	Sinon Brazil	1	Sales	$ 1,084,646	T/T 180-270 days	7
		Sinon Thailand	1	Sales	198,248	T/T 180-270 days	1
		Sinon China	1	Purchase	617,698	30-60 days	4
		Syntai Chemicals	1	Purchase	339,800	30-60 days	2
		Sinon Brazil	1	Account receivable	759,842	T/T 180-270 days	5
		Sinon Brazil	1	Pledged accounts receivable	134,305	T/T 180-270 days	1

Note 1: Relationship of counterparty: (1) parent company to subsidiary (2) subsidiary to parent company (3) subsidiary to subsidiary.

Note 2: The criteria of the disclosures above are (a) for the assets and liabilities, at least 1% of the consolidated total assets (b) for the income and expenses, at least 1% of the consolidated gross sales. The significant intercompany accounts and transactions have been eliminated.

TABLE 8

SINON CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollar, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2012			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2013	December 31, 2012	Shares	Percentage of Ownership	Carrying Amount			
Sinon Corporation	Sinon Cayman (Note 2)	British Cayman Islands	Holding company	$ 642,882	$ 523,761	20,100,000	100	$ 770,731	$ (23,712)	$ (23,712)	Subsidiary
	Sinon Brazil (Note 2)	Alegre, Brazil	Manufacture and import and export of medical and chemical products	510,379	510,379	32,316,471	100	329,738	27,053	27,053	Subsidiary
	Syntai Chemicals (Note 2)	Taichung, ROC	Pharmaceuticals	294,765	294,765	37,100,000	100	431,483	35,209	35,209	Subsidiary
	Hsing Wei (Note 2)	Taichung, ROC	Manufacture and sale of cement	375,609	215,609	48,200,000	100	513,386	(3,806)	(3,806)	Subsidiary
	TFS (Note 2)	Taichung, ROC	Supermarket	264,793	283,543	26,379,500	88	231,110	48,939	53,133	Subsidiary
	Synjia (Note 2)	Changhua, ROC	Sales of household supplies and plastic products	79,000	79,000	7,900,000	100	83,184	(1,458)	(1,458)	Subsidiary
	K&S	Taichung, ROC	Design and sale of software	22,966	22,966	2,439,875	49	29,800	15,692	1,554	Investments accounted for by the equity method
	Sinon Australia (Note 2)	Sydney, Australia	Import and export of chemical products	162,551	108,531	5,600,000	100	50,204	(23,465)	(23,465)	Subsidiary
	Sinon Thailand (Note 2)	Bangkok, Thailand	Import and export of chemical products	17,109	17,109	20,000	100	16,629	1,373	1,373	Subsidiary
	Sinon Indonesia (Note 2)	Jakarta, Indonesia	Import and export of chemical products	44,509	32,645	1,500,000	100	(5,676)	(27,922)	(27,922)	Subsidiary
	Sinon USA (Note 2)	California, USA	Import and export of chemical products	1,689	1,689	50,000	100	1,423	48	48	Subsidiary
	Sinon Germany (Note 2)	Hamburger, Germany	Import and export of chemical products	1,049	1,049	25,000	100	1,364	29	29	Subsidiary
	Sinon Trading (Note 2)	Taichung, ROC	Trading	1,001	1,001	100,000	100	264	79	79	Subsidiary
	Sinon Mexico (Note 2)	Mexico City, Mexico	Import and export of chemical products	135	135	50,000	100	-	-	-	Subsidiary
TFS	Feng Nien (Note 2)	Taichung, ROC	Supermarket	47,271	47,271	1,200	100	28,886	2,418	2,418	Indirectly owned subsidiary
Feng Nien	SY (Note 2)	Taichung, ROC	Manufacture and sale of ice, refrigeration and factory and warehouse leasing	30,000	30,000	1,200,000	100	30,000	-	-	Indirectly owned subsidiary
Syntai Chemicals	Yu Mei Yan (Note 2)	Taichung, ROC	Environmental and drug testing	300	-	30,000	100	280	(20)	(20)	Indirectly owned subsidiary
Hsing Wei	DX	Taichung, ROC	Interior decorating of apartment and office building and sale of real estate	230,000	30,000	23,000,000	76	214,731	(7,019)	(3,342)	Subsidiary
Sinon Cayman	Sinon Hong Kong (Note 2)	Wanchai, Hong Kong	Holding company	US$ 16,500	US$ 12,500	-	100	US$ 21,812	US$ (528)	US$ (528)	Indirectly owned subsidiary
	Sinon Winchester (Note 2)	California, USA	Orchid planting and sale	US$ 400	US$ 400	400,000	71	US$ (204)	US$ (588)	US$ (420)	Indirectly owned subsidiary
Synjia	Synjia Cayman (Note 2)	British Cayman Islands	Holding company	78,509	78,509	2,650,000	100	85,585	(1,558)	(1,558)	Indirectly owned subsidiary
	YMY (Note 2)	Changhua, ROC	Manufacture and sale of precision instruments	300	300	30,000	100	407	106	106	Indirectly owned subsidiary
Synjia Cayman	Synjia Hong Kong (Note 2)	Hong Kong	Holding company	US$ 2,700	US$ 2,650	2,700,000	100	US$ 2,858	US$ (52)	US$ (52)	Indirectly owned subsidiary

Note 1: The equity-method investees' financial statements, which had been used to determine the carrying amount of the Corporation's investments, had been audited, except those of Sinon Indonesia, Sinon Germany, Sinon Trading and Sinon Mexico. The Group believes that, had those companies' financial statements been audited, any adjustments would have had no material effect on the Corporation's financial statements.

Note 2: Significant intercompany accounts and transactions have been eliminated.

SINON CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2013	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2013	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2013	Accumulated Repatriation of Investment Income as of December 31, 2013
					Outward	Inward						
Sinon Zhongshan	Manufacture and sale of grocery, pesticide and plastics	$ 33,075 (US$ 1,000)	The investment was made through a subsidiary incorporated in a third area, which, in turn, makes direct investments in companies in Mainland China.	$ 25,364 (US$ 700)	$ -	$ -	$ 25,364 (US$ 700)	$ 2,669	80% (Note 2)	$ 2,669	$ (17,077)	$ -
Sinon China	Manufacture and sale of various chemicals	271,113 (US$ 8,000)	The investment was made through a subsidiary incorporated in a third area, which, in turn, makes direct investments in companies in Mainland China.	271,113 (US$ 8,000)	-	-	271,113 (US$ 8,000)	(7,560)	100%	(7,560)	406,801	-
Sinon ZhongShan Servings	Import and export of chemical products	RMB 500	The investment was made by the subsidiary located in Mainland China directly	2,404	-	-	2,404	(6,022)	100%	(6,022)	21,285	-
Sinon Nantong	Manufacture and sale of various chemicals	253,455 (US$ 8,500)	The investment was made through a subsidiary incorporated in a third area, which, in turn, makes direct investments in companies in Mainland China.	134,334 (US$ 4,500)	119,121 (US$ 4,000)	-	253,455 (US$ 8,500)	(8,170)	100%	(8,170)	246,460	-
Synjia Zhongshan	Manufacture and sale of grocery, pesticide and plastics	80,008 (US$ 2,700)	The investment was made through a subsidiary incorporated in a third area, which, in turn, makes direct investments in companies in Mainland China.	78,509 (US$ 2,650)	-	-	78,509 (US$ 2,650)	(1,558)	100%	(1,558)	85,585	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2012	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limited on the Amount of Investment Stipulated by Investment Commission, MOEA
The Corporation	$ 552,336	US$ 43,200	No limit (Note 3)
Synjia	78,509	US$ 2,700	$80,000 (Note 4)

Note 1: The Group recognized its investment gain (loss) based on the audited financial statements as of and for the year ended December 31, 2013.

Note 2: The ownership of Sinon Cayman and Sinon China was 70% and 10%, respectively.

Note 3: According to the "Regulations for Screening of Application to Engage in Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs on August 29, 2008, there is no limit on the investment in Mainland China since Sinon Corporation had acquired the approval by the Industrial Development Bureau of the company's establishment of operating headquarters in Taiwan.

Note 4: According to the "Regulations for Screening of Application to Engage in Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs, Synjia belongs to small and medium-sized enterprise, the limit on the investment is NT$80,000 thousand.

Note 5: Significant intercompany accounts and transactions have been eliminated.

SINON CORPORATION AND SUBSIDIARIES

OPERATING SEGMENT INFORMATION
YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Thousands of New Taiwan Dollars)

	2013					2012				
	Crop Protection	Supermarket	Others	Consolidation and Elimination	Total	Crop Protection	Supermarket	Others	Consolidation and Elimination	Total
1. Revenue and operating income (loss)										
a. Revenue from customers	$ 13,365,356	$ 4,154,585	$ 738,105	$ (2,537,458)	$ 15,720,588	$ 9,442,708	$ 4,178,291	$ 2,195,036	$ (1,593,984)	$ 14,222,051
b. Revenue from segments	2,902	-	377,288	(380,190)	-	3,578	-	187,615	(191,193)	-
	$ 13,368,258	$ 4,154,585	$ 1,115,393	$ (2,917,648)	$ 15,720,588	$ 9,446,286	$ 4,178,291	$ 2,382,651	$ (1,785,177)	$ 14,222,051
Operating income (loss)	$ 690,882	$ 63,336	$ 11,597	$ (25,574)	$ 740,241	$ 567,059	$ 53,381	$ 190,301	$ (188,385)	$ 622,356
Investment gains					(3,469)					1,443
General corporate expenses					(62,454)					(24,867)
Financial cost					(76,606)					(66,670)
Consolidated income before income tax					$ 597,712					$ 532,262
2. Identifiable assets and liabilities										
Identifiable assets	$ 13,351,235	$ 1,292,126	$ 1,127,573	$ (1,552,242)	$ 14,218,692	$ 6,585,744	$ 1,735,348	$ 3,661,050	$ 500,501	$ 12,482,643
Investments accounted for by the equity method					29,800					49,238
					$ 14,248,492					$ 12,531,881
Identifiable liabilities	$ 9,206,190	$ 1,016,271	$ 463,492	$ (1,466,229)	$ 9,219,724	$ 3,030,780	$ 1,212,984	$ 4,419,994	$ (730,023)	$ 7,933,735
3. Other information										
Capital expenditure	$ 1,167,684	$ 59,818	$ 502,689	$ -	$ 1,730,191	$ 632,326	$ 59,221	$ 492,433	$ -	$ 1,183,980
Depreciation and amortization	$ 320,356	$ 103,989	$ 74,973	$ -	$ 499,318	$ 329,725	$ 108,137	$ 73,765	$ -	$ 511,627

(Continued)

	2013	2012
4. Main products and service income		
Crop protection	$ 9,454,405	$ 8,231,719
Supermarket	4,154,545	4,057,324
Household supplies and plastic products	955,994	930,548
Premix concrete	655,376	539,907
Catering Service	500,268	462,553
	$ 15,720,588	$ 14,222,051

Note 1: Segment operating income (loss) without investment gains, general corporate expenses, interest expenses and income tax are provided to the chief financial officer to make resource allocation decisions and assess the segment performance.

Note 2: For the purposes of monitoring segment performance and allocating resources among segments, segment identifiable assets include all assets except investments accounted for by the equity method.