

GIGA-BYTE TECHNOLOGY CO., LTD.
UNCONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
31st DECEMBER 2013 AND 2012

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

GIGA-BYTE TECHNOLOGY CO., LTD.

TABLE OF CONTENTS

| | <u>Pages</u> |
|---|--------------|
| FRONT COVER | 1 |
| TABLE OF CONTENTS | 2 |
| REPORT OF INDEPENDENT ACCOUNTANTS | 3 ~ 4 |
| UNCONSOLIDATED BALANCE SHEETS | 5 ~ 6 |
| UNCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME | 7 |
| UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY | 8 |
| UNCONSOLIDATED STATEMENTS OF CASH FLOWS | 9 ~ 10 |
| NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS | 11 ~ 76 |
| 1. HISTORY AND ORGANIZATION | 11 |
| 2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE UNCONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION | 11 |
| 3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS | 11 ~ 16 |
| 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES | 16 ~ 24 |
| 5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY | 24 ~ 25 |
| 6. DETAILS OF SIGNIFICANT ACCOUNTS | 26 ~ 43 |
| 7. RELATED PARTY TRANSACTIONS | 44 ~ 45 |
| 8. PLEDGED ASSETS | 45 |
| 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS | 45 |
| 10. SIGNIFICANT DISASTER LOSS | 46 |
| 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE | 46 |
| 12. OTHERS | 46 ~ 55 |
| 13. SUPPLEMENTARY DISCLOSURES | 55 ~ 66 |
| 14. SEGMENT INFORMATION | 67 |
| 15. INITIAL APPLICATION OF IFRSs | 67 ~ 76 |

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To: The Board of Directors and Shareholders of
Giga-Byte Technology Co., Ltd.

We have audited the accompanying unconsolidated balance sheets of Giga-Byte Technology Co., Ltd. as of 31st December 2013, 31st December 2012 and 1st January 2012, and the related unconsolidated statements of comprehensive income, of changes in shareholders' equity and of cash flows for the years ended 31st December 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of certain investee companies accounted for under the equity method as of and for the years ended 31st December 2013 and 2012 were audited by other auditors, whose reports thereon were furnished to us. Long-term equity investment balance in these investee companies amounted to \$306,284 thousand and \$202,888 thousand as of 31st December 2013 and 2012, respectively, and the related investment loss recognized amounted to \$13,701 thousand and \$16,723 thousand for the years then ended. Our opinion, insofar as it relates to the amounts included in the financial statements and information disclosed in Note 13 relating to these long-term equity investments, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the unconsolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Giga-Byte Technology Co., Ltd. as of 31st December 2013, 31st December 2012 and 1st January 2012, and its financial performance and cash flows for the years ended 31st December 2013 and 2012 in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”.

We have also audited the consolidated financial statements of Giga-Byte Technology Co., Ltd. and its subsidiaries (not presented herein) as of and for the years ended 31st December 2013 and 2012.

PricewaterhouseCoopers, Taiwan
18th March 2014

The accompanying unconsolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying unconsolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

GIGA-BYTE TECHNOLOGY CO., LTD.
UNCONSOLIDATED BALANCE SHEETS
(Expressed in thousands of NT dollars)

| | ASSETS | Notes | 31st December 2013 | | 31st December 2012 | | 1st January 2012 | |
|---------------------------|---|-------|----------------------|------------|----------------------|------------|----------------------|------------|
| | | | Amount | % | Amount | % | Amount | % |
| <u>Current assets</u> | | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 4,604,386 | 15 | \$ 5,431,853 | 18 | \$ 6,561,706 | 23 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 752,079 | 2 | 554,660 | 2 | 530,892 | 2 |
| 1150 | Notes receivable-net | | 9,331 | - | 6,811 | - | 7,607 | - |
| 1170 | Accounts receivable-net | 6(3) | 1,915,947 | 6 | 1,976,460 | 7 | 1,767,901 | 6 |
| 1180 | Accounts receivable-related parties-net | 7 | 2,945,484 | 9 | 2,807,049 | 9 | 2,309,893 | 8 |
| 1200 | Other receivables | | 258,806 | 1 | 198,873 | 1 | 276,436 | 1 |
| 130X | Inventories | 6(4) | 8,041,523 | 26 | 7,190,989 | 24 | 6,081,332 | 21 |
| 1470 | Other current assets | 6(5) | 120,163 | - | 776,843 | 3 | 390,221 | 1 |
| 11XX | Total current assets | | <u>18,647,719</u> | <u>59</u> | <u>18,943,538</u> | <u>64</u> | <u>17,925,988</u> | <u>62</u> |
| <u>Non-current assets</u> | | | | | | | | |
| 1523 | Available-for-sale financial assets – non-current | | - | - | - | - | 12,655 | - |
| 1527 | Held-to-maturity financial assets- non-current | 6(6) | 148,410 | 1 | - | - | - | - |
| 1546 | Investments in bonds without active markets – non-current | 6(7) | 19,662 | - | 49,264 | - | - | - |
| 1550 | Investments accounted for under equity method | 6(8) | 8,171,901 | 26 | 7,070,112 | 24 | 7,090,103 | 25 |
| 1600 | Property, plant and equipment | 6(9) | 2,148,656 | 7 | 2,175,990 | 7 | 2,096,951 | 7 |
| 1760 | Investment property-net | 6(10) | 149,405 | - | 137,586 | 1 | 258,119 | 1 |
| 1780 | Intangible assets | | 26,050 | - | 53,716 | - | 33,551 | - |
| 1840 | Deferred income tax assets | 6(15) | 245,461 | 1 | 241,633 | 1 | 285,326 | 1 |
| 1900 | Other non-current assets | 6(11) | 2,019,611 | 6 | 1,020,225 | 3 | 1,172,843 | 4 |
| 15XX | Total non-current assets | | <u>12,929,156</u> | <u>41</u> | <u>10,748,526</u> | <u>36</u> | <u>10,949,548</u> | <u>38</u> |
| 1XXX | <u>TOTAL ASSETS</u> | | <u>\$ 31,576,875</u> | <u>100</u> | <u>\$ 29,692,064</u> | <u>100</u> | <u>\$ 28,875,536</u> | <u>100</u> |

(Continued)

GIGA-BYTE TECHNOLOGY CO., LTD.
UNCONSOLIDATED BALANCE SHEETS
(Expressed in thousands of NT dollars)

| LIABILITIES AND SHAREHOLDERS' EQUITY | | Notes | 31st December 2013 | | 31st December 2012 | | 1st January 2012 | |
|--|--------------------------------------|-------|----------------------|------------|----------------------|------------|----------------------|------------|
| | | | Amount | % | Amount | % | Amount | % |
| Current liabilities | | | | | | | | |
| 2150 | Notes payable | | \$ 29,150 | - | \$ 20,680 | - | \$ 28,385 | - |
| 2170 | Accounts payable | | 5,165,047 | 16 | 6,100,023 | 21 | 4,903,839 | 17 |
| 2180 | Accounts payable-related parties | 7 | 383,162 | 1 | 326,566 | 1 | 292,617 | 1 |
| 2200 | Other payables | 6(12) | 2,425,012 | 8 | 1,710,199 | 6 | 1,772,629 | 6 |
| 2230 | Current income tax liabilities | | 243,599 | 1 | 17,099 | - | 319,898 | 1 |
| 2250 | Provisions for liabilities - current | 6(13) | 445,408 | 2 | 442,611 | 1 | 440,940 | 2 |
| 2300 | Other current liabilities | | 646,435 | 2 | 373,013 | 1 | 271,478 | 1 |
| 21XX | Total current liabilities | | 9,337,813 | 30 | 8,990,191 | 30 | 8,029,786 | 28 |
| Non-current liabilities | | | | | | | | |
| 2570 | Deferred income tax liabilities | 6(15) | 15,737 | - | 6,303 | - | - | - |
| 2600 | Other non-current liabilities | 6(14) | 384,640 | 1 | 395,793 | 2 | 317,788 | 1 |
| 25XX | Total non-current liabilities | | 400,377 | 1 | 402,096 | 2 | 317,788 | 1 |
| 2XXX | Total liabilities | | 9,738,190 | 31 | 9,392,287 | 32 | 8,347,574 | 29 |
| Equity | | | | | | | | |
| Share capital | | | | | | | | |
| 3110 | Common stock | 6(16) | 6,265,714 | 20 | 6,258,914 | 21 | 6,383,064 | 22 |
| Capital surplus | | | | | | | | |
| 3200 | Capital surplus | 6(17) | 4,587,562 | 15 | 4,585,372 | 15 | 4,685,059 | 16 |
| Retained earnings | | | | | | | | |
| 3310 | Legal reserve | 6(18) | 2,950,047 | 9 | 2,794,790 | 9 | 2,637,871 | 9 |
| 3320 | Special reserve | | 426,354 | 1 | 426,354 | 1 | 426,354 | 2 |
| 3350 | Unappropriated retained earnings | | 7,341,889 | 23 | 6,382,171 | 22 | 6,432,171 | 22 |
| Other equity | | | | | | | | |
| 3400 | Other equity | | 267,119 | 1 | (147,824) | - | 24,355 | - |
| Treasury share | | | | | | | | |
| 3500 | Treasury share | | - | - | - | - | (60,912) | - |
| 3XXX | Total equity | | 21,838,685 | 69 | 20,299,777 | 68 | 20,527,962 | 71 |
| Total liabilities and equity | | | \$ 31,576,875 | 100 | \$ 29,692,064 | 100 | \$ 28,875,536 | 100 |

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated 18th March 2014.

GIGA-BYTE TECHNOLOGY CO., LTD.
UNCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of NT dollars, except for earnings per share)

| | | For the years ended 31st December | | | |
|------|--|-----------------------------------|-------|---------------|-------|
| | | 2013 | | 2012 | |
| | Notes | Amount | % | Amount | % |
| 4000 | Operating revenue | \$ 46,717,780 | 100 | \$ 42,142,326 | 100 |
| 5000 | Operating costs | | | | |
| | | (39,504,377) | (85) | (35,815,899) | (85) |
| 5900 | Gross profit | 7,213,403 | 15 | 6,326,427 | 15 |
| | Operating expenses | | | | |
| 6100 | Selling expenses | (2,355,502) | (5) | (2,212,384) | (5) |
| 6200 | General & administrative expenses | (990,321) | (2) | (1,019,748) | (3) |
| 6300 | Research and development expense | (1,926,424) | (4) | (1,647,666) | (4) |
| 6000 | Total operating expenses | (5,272,247) | (11) | (4,879,798) | (12) |
| 6900 | Operating profit | 1,941,156 | 4 | 1,446,629 | 3 |
| | Non-operating revenue and expenses | | | | |
| 7010 | Other income | 255,014 | 1 | 292,464 | 1 |
| 7020 | Other gains and losses | 303,244 | 1 | 14,162 | - |
| 7050 | Finance costs | (742) | - | (342) | - |
| 7070 | Share of (loss)/profit of subsidiaries, associates and joint ventures accounted for under the equity method | 133,484 | - | (83,364) | - |
| 7000 | Total non-operating revenue and expenses | 691,000 | 2 | 222,920 | 1 |
| 7900 | Profit before income tax | 2,632,156 | 6 | 1,669,549 | 4 |
| 7950 | Income tax expense | (276,620) | (1) | (120,842) | - |
| 8200 | Profit for the year | \$ 2,355,536 | 5 | \$ 1,548,707 | 4 |
| | Other comprehensive income-net | | | | |
| 8310 | Currency translation differences | \$ 300,038 | 1 | (\$ 158,930) | (1) |
| 8325 | Unrealised gain (loss) on valuation of available-for-sale financial assets | - | - | (15,483) | - |
| 8360 | Actuarial gain (loss) on defined benefit plan | 14,328 | - | (91,703) | - |
| 8380 | Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under the equity method | 114,905 | - | 2,234 | - |
| 8399 | Income tax relating to the components of other comprehensive income | (2,436) | - | - | - |
| 8300 | Other comprehensive income (loss) for the year, net of tax | \$ 426,835 | 1 | (\$ 263,882) | (1) |
| 8500 | Total comprehensive income for the year | \$ 2,782,371 | 6 | \$ 1,284,825 | 3 |
| | Basic earnings per share | | | | |
| 9750 | Total basic earnings per share | \$ | 3.76 | \$ | 2.48 |
| | Diluted earnings per share | | | | |
| 9850 | Total diluted earnings per share | \$ | 3.69 | \$ | 2.43 |

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated 18th March 2014.

GIGA-BYTE TECHNOLOGY CO., LTD.
UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in thousands of NT dollars)

| | Note | Retained earnings | | | | | Other equity | | | Total equity |
|---|-------|---------------------|---------------------|---------------------|-------------------|----------------------------------|----------------------------------|--|----------------|----------------------|
| | | Common stock | Capital reserve | Legal reserve | Special reserve | Unappropriated retained earnings | Currency translation differences | Unrealised gain (loss) on valuation of available-for-sale financial assets | Treasury share | |
| 2012 | | | | | | | | | | |
| Balance at 1st January 2012 | | \$ 6,383,064 | \$ 4,685,059 | \$ 2,637,871 | \$ 426,354 | \$ 6,432,171 | \$ - | \$ 24,355 | (\$ 60,912) | \$ 20,527,962 |
| Appropriations of 2011 retained earnings: | 6(18) | | | | | | | | | |
| Legal reserve | | - | - | 156,919 | - | (156,919) | - | - | - | - |
| Cash dividends | | - | - | - | - | (1,248,645) | - | - | - | (1,248,645) |
| Share-based payment | 6(19) | 51,450 | 23,239 | - | - | - | - | - | - | 74,689 |
| Acquisition of treasury stock | 6(16) | - | - | - | - | - | - | - | (339,054) | (339,054) |
| Treasury stock retired | 6(16) | (175,600) | (122,926) | - | - | (101,440) | - | - | 399,966 | - |
| Profit for the year | | - | - | - | - | 1,548,707 | - | - | - | 1,548,707 |
| Other comprehensive income for the year | | - | - | - | - | (91,703) | (158,930) | (13,249) | - | (263,882) |
| Balance at 31st December 2012 | | <u>\$ 6,258,914</u> | <u>\$ 4,585,372</u> | <u>\$ 2,794,790</u> | <u>\$ 426,354</u> | <u>\$ 6,382,171</u> | <u>(\$ 158,930)</u> | <u>\$ 11,106</u> | <u>\$ -</u> | <u>\$ 20,299,777</u> |
| 2013 | | | | | | | | | | |
| Balance at 1st January 2013 | | \$ 6,258,914 | \$ 4,585,372 | \$ 2,794,790 | \$ 426,354 | \$ 6,382,171 | (\$ 158,930) | \$ 11,106 | \$ - | \$ 20,299,777 |
| Appropriations of 2012 retained earnings: | 6(18) | | | | | | | | | |
| Legal reserve | | - | - | 155,257 | - | (155,257) | - | - | - | - |
| Cash dividends | | - | - | - | - | (1,252,453) | - | - | - | (1,252,453) |
| Share-based payment | 6(19) | 6,800 | 2,190 | - | - | - | - | - | - | 8,990 |
| Profit for the year | | - | - | - | - | 2,355,536 | - | - | - | 2,355,536 |
| Other comprehensive income for the year | | - | - | - | - | 11,892 | 300,038 | 114,905 | - | 426,835 |
| Balance at 31st December 2013 | | <u>\$ 6,265,714</u> | <u>\$ 4,587,562</u> | <u>\$ 2,950,047</u> | <u>\$ 426,354</u> | <u>\$ 7,341,889</u> | <u>\$ 141,108</u> | <u>\$ 126,011</u> | <u>\$ -</u> | <u>\$ 21,838,685</u> |

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated 18th March 2014.

GIGA-BYTE TECHNOLOGY CO., LTD.
UNCONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of NT dollars)

| | Notes | For the years ended 31st December | |
|--|----------|-----------------------------------|---------------|
| | | 2013 | 2012 |
| <u>Cash flows from operating activities:</u> | | | |
| Profit before income tax | | \$ 2,632,156 | \$ 1,669,549 |
| Adjustments to reconcile profit before income tax to net cash provided by operating activities | | | |
| Income and expenses having no effect on cash flows | | | |
| Depreciation | 6(9)(23) | 89,966 | 99,930 |
| Depreciation charge on investment property | 6(10) | 1,046 | 1,261 |
| Amortisation | 6(23) | 169,062 | 118,604 |
| Reversal of provision for doubtful accounts | 6(3) | (274) | (6,422) |
| Net gain on financial assets and liabilities at fair value through profit or loss | 6(2)(22) | (2,055) | (4,996) |
| Interest expense | | 742 | 342 |
| Interest income | 6(21) | (59,371) | (62,483) |
| Share of loss (profit) of subsidiaries and associates accounted for under the equity method | 6(8) | | |
| | | (133,484) | 83,364 |
| Loss on disposal of property, plant and equipment | 6(9)(22) | 1,177 | - |
| Loss on disposal of available-for-sale financial assets | 6(22) | - | 125 |
| Gain on disposal of investments in bonds without active markets | 6(7)(22) | (882) | - |
| Changes in assets/liabilities relating to operating activities | | | |
| Net changes in assets relating to operating activities | | | |
| Financial assets and liabilities at fair value through profit or loss | 6(2) | (195,364) | (18,772) |
| Notes receivable-net | | (2,520) | 796 |
| Accounts receivable-net | 6(3) | (76,363) | (622,704) |
| Other receivables | | (59,933) | 75,242 |
| Inventories | 6(4) | (850,534) | (1,109,657) |
| Other current assets | 6(5) | (43,321) | 23,378 |
| Net changes in liabilities relating to operating activities | | | |
| Notes payable | | 8,470 | (7,705) |
| Accounts payable | | (878,380) | 1,230,133 |
| Other payables | 6(12) | 714,813 | (62,430) |
| Provisions for liabilities | 6(13) | 2,797 | 1,671 |
| Other current liabilities | | 273,422 | 101,535 |
| Other non-current liabilities | 6(14) | 3,329 | 1,662 |
| Cash generated from operations | | 1,588,960 | 1,512,423 |
| Interest received | 6(21) | 59,371 | 62,483 |
| Interest paid | | (742) | (342) |
| Income taxes paid | 6(15) | (46,950) | (373,645) |
| Net cash provided by operating activities | | 1,606,178 | 1,200,919 |

(Continued)

GIGA-BYTE TECHNOLOGY CO., LTD.
UNCONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of NT dollars)

| | Notes | For the years ended 31st December | |
|---|----------|-----------------------------------|---------------------|
| | | 2013 | 2012 |
| <u>Cash flows from investing activities:</u> | | | |
| Proceeds from disposal of available-for-sale financial assets | | \$ - | \$ 14,764 |
| Acquisition of investments in bonds without active markets | 6(7) | (20,912) | (49,264) |
| Proceeds from disposal of investments in bonds without active markets | 6(7) | 51,396 | - |
| Acquisition of held-to-maturity financial assets | 6(6) | (148,410) | - |
| Acquisition of investments accounted for under equity method | 6(8) | (585,884) | (312,534) |
| Proceeds from liquidation of long-term equity investment-subsiary | 6(8) | 31,237 | 480 |
| Acquisition of property, plant and equipment | 6(9) | (77,544) | (59,697) |
| Proceeds from disposal of property, plant and equipment | 6(9) | 870 | - |
| Decrease in refundable deposits | | 3,745 | 4,071 |
| Acquisition of intangible assets | | (31,091) | (74,760) |
| Increase in other financial assets | 6(5)(11) | (290,000) | (290,000) |
| Increase in other non-current assets | 6(11) | (123,434) | (35,462) |
| Net cash used in investing activities | | (1,190,027) | (802,402) |
| <u>Cash flows from financing activities</u> | | | |
| Decrease in deposits received | | (155) | (15,360) |
| Cash dividends paid | 6(18) | (1,252,453) | (1,248,645) |
| Employee stock options exercised | 6(19) | 8,990 | 74,689 |
| Cost of treasury stock buyback | 6(16) | - | (339,054) |
| Net cash used in financing activities | | (1,243,618) | (1,528,370) |
| Decrease in cash and cash equivalents | | (827,467) | (1,129,853) |
| Cash and cash equivalents at beginning of year | 6(1) | 5,431,853 | 6,561,706 |
| Cash and cash equivalents at end of year | 6(1) | <u>\$ 4,604,386</u> | <u>\$ 5,431,853</u> |

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated 18th March 2014.

GIGA-BYTE TECHNOLOGY CO., LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
31ST DECEMBER 2013 AND 2012
(Expressed in thousands of NT dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Giga-Byte Technology Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on 30th April 1986. The address of the Company's registered office is No.6, Baoqiang Rd., Xindian Dist., New Taipei City, Taiwan (R.O.C.). The Company is engaged in the manufacture, processing and trading of computer peripheral and component parts. The Company's shares have been traded on the Taiwan Stock Exchange since 24th September 1998.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE UNCONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These unconsolidated financial statements were authorized for issuance by the Board of Directors on 17th March 2014.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

Not applicable as it is the first-time adoption of IFRSs by the Company this year.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

IFRS 9, 'Financial Instruments': Classification and measurement of financial instruments

A. The International Accounting Standards Board ("IASB") published IFRS 9, 'Financial Instruments', in November 2009, which will take effect on January 1, 2013 with early application permitted (Through the amendments to IFRS 9 published on November 19, 2013, the IASB has removed the previous mandatory effective date, but the standard is available for immediate application). Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 ("IAS 39"), 'Financial Instruments: Recognition and Measurement' reissued in 2009.

B. IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments, which might affect the accounting treatments for financial instruments of the Company.

C. The Company has not yet evaluated the overall effect of the IFRS 9 adoption. However, based on our preliminary evaluation, it was noted that the IFRS 9 adoption might have an impact on those instruments classified as ‘available-for-sale financial assets’ held by the Company, as IFRS 9 specifies that the fair value changes in the equity instruments that meet certain criteria may be reported in other comprehensive income, and such amount that has been recognised in other comprehensive income should not be reclassified to profit or loss when such assets are derecognised. The Company recognised gain (or loss) on equity instruments amounting to \$114,905, in other comprehensive income for the year ended 31st December 2013.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

The following are the assessment of new standards, interpretations and amendments issued by IASB but not yet endorsed by the FSC (application of the new standards and amendments should follow the regulations of the FSC):

| New Standards, Interpretations and Amendments | Main Amendments | IASB Effective Date |
|---|---|---------------------------------------|
| Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1) | The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparers received in IFRS 7, ‘Financial Instruments: Disclosures’ and exempts first-time adopters from providing the additional comparative disclosures. | 1st July 2010 |
| Improvements to IFRSs 2010 | Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13. | 1st January 2011 |
| IFRS 9, ‘Financial instruments: Classification and measurement of financial liabilities’ | IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognising the liabilities; and all other changes in fair value are recognised in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. (That determination is made at initial recognition and is not reassessed subsequently.) | 19th November 2013 (Not mandatory) |
| Disclosures - transfers of financial assets (amendment to IFRS 7) | The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in transferred assets, existing at the reporting date. | 1st July 2011 |

| <u>New Standards, Interpretations and Amendments</u> | <u>Main Amendments</u> | <u>IASB Effective Date</u> |
|---|--|----------------------------|
| Deferred tax: recovery of underlying assets (amendment to IAS 12) | The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes—recovery of revalued non-depreciable assets'. | 1st January 2012 |
| IFRS 10, 'Consolidated financial statements' | The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. | 1st January 2013 |
| IFRS 11, 'Joint arrangements' | Judgments applied when assessing the types of joint arrangements-joint operations and joint ventures, the entity should assess the contractual rights and obligations instead of the legal form only. The standard also prohibits the proportional consolidation for joint ventures. | 1st January 2013 |
| IFRS 12, 'Disclosure of interests in other entities' | The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities. | 1st January 2013 |
| IAS 27, 'Separate financial statements' (as amended in 2011) | The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, 'Consolidated financial statements'. | 1st January 2013 |
| IAS 28, 'Investments in associates and joint ventures' (as amended in 2011) | As consequential amendments resulting from the issuance of IFRS 11, 'Joint arrangements', IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures. | 1st January 2013 |
| IFRS 13, 'Fair value measurement' | IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. | 1st January 2013 |

| New Standards, Interpretations and Amendments | Main Amendments | IASB Effective Date |
|--|--|---------------------|
| IAS 19 revised, 'Employee benefits' (as amended in 2011) | The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past service costs will be recognised immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expense, is recognised in other comprehensive income. | 1st January 2013 |
| Presentation of items of other comprehensive income (amendment to IAS 1) | The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently. | 1st July 2012 |
| Disclosures—Offsetting financial assets and financial liabilities (amendment to IFRS 7) | The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements. | 1st January 2013 |
| Offsetting financial assets and financial liabilities (amendment to IAS 32) | The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right to set off the recognised amounts'; and (ii) that some gross settlement mechanisms with certain features may be considered equivalent to net settlement. | 1st January 2014 |
| Government loans (amendment to IFRS 1) | The amendment provides exception to first-time adopters to apply the requirements in IFRS 9, 'Financial instruments', and IAS 20, 'Accounting for government grants and disclosure of government assistance', prospectively to government loans that exist at the date of transition to IFRSs; and first-time adopters should not recognize the corresponding benefit of the government loan at a below-market rate of interest as a government grant. | 1st January 2013 |
| Improvements to IFRSs 2009- 2011 | Amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. | 1st January 2013 |

| <u>New Standards, Interpretations and Amendments</u> | <u>Main Amendments</u> | <u>IASB Effective Date</u> |
|---|--|--|
| Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12) | The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted. | 1st January 2013 |
| Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27) | The amendments define 'Investment Entities' and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit or loss instead of consolidating them. | 1st January 2014 |
| IFRIC 21, 'Levies' | The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognised in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets'. | 1st January 2014 |
| Recoverable amount disclosures for non-financial assets (amendments to IAS 36) | The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired. | 1st January 2014 |
| Novation of derivatives and continuation of hedge accounting (amendments to IAS 39) | The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being novated complies with specified criteria. | 1st January 2014 |
| IFRS 9 "Financial assets: hedge accounting" and amendments to IFRS 9, IFRS 7 and IAS 39 | 1. IFRS 9 relaxes the requirements for hedged items and hedging instruments and removes the bright line of effectiveness to better align hedge accounting with the risk management activities of an entity. 2. An entity can elect to early adopt the requirement to recognise the changes in fair value attributable to changes in an entity's own credit risk from financial liabilities that are designated under the fair value option in 'other comprehensive income'. | 19th November, 2013 (Not mandatory) |

| New Standards, Interpretations and Amendments | Main Amendments | IASB Effective Date |
|--|---|---------------------|
| Services related contributions from employees or third parties (amendments to IAS 19R) | The amendment allows contributions from employees or third parties that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits. | 1st July, 2014 |
| Improvements to IFRSs 2010-2012 | Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. | 1st July, 2014 |
| Improvements to IFRSs 2011-2013 | Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40. | 1st July, 2014 |

The Company is assessing the potential impact of the new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the unconsolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. These unconsolidated financial statements are the first unconsolidated financial statements prepared by the Company in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”.
- B. In the preparation of the unconsolidated balance sheet of January 1, 2012 (the Company’s date of transition to IFRSs) (“the opening IFRS unconsolidated balance sheet”), the Company has adjusted the amounts that were reported in the unconsolidated financial statements in accordance with previous R.O.C. GAAP. Please refer to Note 15 for the impact of transitioning from R.O.C. GAAP to IFRSs on the Company’s financial position, financial performance and cash flows.

(2) Basis of preparation

- A. Except for the following items, these unconsolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Available-for-sale financial assets measured at fair value.
- B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the

unconsolidated financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The unconsolidated financial statements are presented in NT dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the Company entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company still retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(7) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

B. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(8) Held-to-maturity financial assets

A. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Company has the positive intention and ability to hold to maturity other than those that meet the definition of loans and receivables and those that are designated as at fair value through profit or loss or as available-for-sale on initial

recognition.

- B. On a regular way purchase or sale basis, held-to-maturity financial assets are recognised and derecognised using settlement date accounting.
- C. Held-to-maturity financial assets are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(9) Loans and receivables

A. Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

B. Bond investments without active market

(a) Bond investments without active market are loans and receivables not originated by the entity. They are bond investments with fixed or determinable payments that are not quoted in an active market, and also meet all of the following conditions:

- i. Not designated on initial recognition as at fair value through profit or loss;
- ii. Not designated on initial recognition as available-for-sale;
- iii. Not for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(b) On a regular way purchase or sale basis, bond investments without active market are recognised and derecognised using settlement date accounting.

(c) Bond investments without active market are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(10) Impairment of financial assets

A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

- (a) Significant financial difficulty of the issuer or debtor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

- (g) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
- (a) Financial assets measured at amortised cost
- 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 discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.
- (b) Available-for-sale financial assets
- The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries refer to the entities (including special purpose entities) that the Company has control over their financial and operating policies and own more than 50% of voting shares directly or indirectly. The Company evaluates investments in subsidiaries accounted under equity method in these non-consolidated financial statements.
- B. Unrealised profit (loss) occurred from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- E. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- F. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- G. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- H. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- I. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the non-consolidated financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the non-consolidated financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies,

Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

| | |
|------------------------------------|------------|
| Buildings | 5~55 years |
| Machinery and equipment | 3~10 years |
| Research and development equipment | 3~10 years |
| Office equipment | 3~ 5 years |
| Other tangible operating assets | 3~10 years |

(14)Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 years.

(15)Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 10 years.

(16)Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17)Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(18)Provisions

Warranty provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(19)Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) instead.
- ii. Actuarial gains and losses arising on defined benefit plans are recognised in profit or loss using the 'corridor' method in the period in which they arise.
- iii. Past service costs are recognised immediately in profit or loss if vested immediately; if not, the past service costs are amortised on a straight-line basis over the vesting period.

C. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates. The Company calculates the number of shares of employees' stock bonus based on the fair value per share at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(20) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(21) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its

subsidiaries operate and generate taxable income. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the unconsolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, employees' training costs and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(22) Revenue recognition

- A. The Company manufactures and sells computer peripheral and component parts products. Revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities.
- B. The Company offers customers volume discounts and right of return for defective products. The Company estimates such discounts and returns based on historical experience. Allowance accounts for such liabilities are recorded when the sales are recognised.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these unconsolidated financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

Financial assets—impairment of equity investments

The Company follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(2) Critical accounting estimates and assumptions

The accounting assumptions are made based on estimates of future events. Assumptions may differ from the actual results. The information on assumptions and estimates that may have risks of major adjustments to carrying amount of assets and liabilities of the next fiscal year is as follows:

A.Revenue recognition

In principle, sales revenues are recognised when the earning process is completed. The Company estimates discounts and returns based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognised. The Company reassesses the reasonableness of estimates of discounts and returns periodically.

B.Impairment assessment of tangible and intangible assets (excluding goodwill)

The Company assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Company strategy might cause material impairment on assets in the future.

C.Realibility of deferred income tax assets

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred income tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

As of 31st December 2013, the Company recognised deferred income tax assets amounting to \$243,025.

D.Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of 31st December 2013, the carrying amount of inventories was \$8,041,523.

E.Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Company must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

As of 31st December 2013, the carrying amount of accrued pension obligations was \$381,841.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | <u>31st December 2013</u> | <u>31st December 2012</u> | <u>1st January 2012</u> |
|---------------------------------------|---------------------------|---------------------------|-------------------------|
| Cash on hand | \$ 2,438 | \$ 6,691 | \$ 6,695 |
| Checking accounts and demand deposits | 1,153,778 | 1,642,150 | 1,091,441 |
| Time deposits | <u>3,448,170</u> | <u>3,783,012</u> | <u>5,463,570</u> |
| | <u>\$ 4,604,386</u> | <u>\$ 5,431,853</u> | <u>\$ 6,561,706</u> |

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Company's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. Details of the Company's cash and cash equivalents pledged to others as collateral are provided in Note 8.

(2) Financial assets at fair value through profit or loss

| | <u>31st December 2013</u> | <u>31st December 2012</u> | <u>1st January 2012</u> |
|-----------------------------------|---------------------------|---------------------------|-------------------------|
| <u>Current items :</u> | | | |
| Financial assets held for trading | | | |
| Open-end funds-Domestic | \$ 360,000 | \$ 500,000 | \$ 450,000 |
| Open-end funds-Overseas | 315,361 | 53,564 | 84,792 |
| Corporate bonds | <u>73,567</u> | <u>-</u> | <u>-</u> |
| | 748,928 | 553,564 | 534,792 |
| Valuation adjustment | <u>3,151</u> | <u>1,096</u> | <u>(3,900)</u> |
| | <u>\$ 752,079</u> | <u>\$ 554,660</u> | <u>\$ 530,892</u> |

A. The Company recognised net gain of \$1,865 and \$13,079 on financial assets held for trading for the years ended 31st December 2013 and 2012, respectively.

B. The counterparties of the Company's debt instrument investments have credit quality ratings above "investment grade". The maximum exposure to credit risk at balance sheet date is the carrying amount of financial assets - debt instruments at fair value through profit or loss.

C. The Company has no financial assets at fair value through profit or loss pledged to others.

(3) Accounts receivable - net

| | <u>31st December 2013</u> | <u>31st December 2012</u> | <u>1st January 2012</u> |
|---------------------------------------|---------------------------|---------------------------|-------------------------|
| Accounts receivable – third parties | \$ 1,940,796 | \$ 2,001,583 | \$ 1,799,446 |
| Less: Allowance for doubtful accounts | <u>(24,849)</u> | <u>(25,123)</u> | <u>(31,545)</u> |
| Accounts receivable - net | <u>\$ 1,915,947</u> | <u>\$ 1,976,460</u> | <u>\$ 1,767,901</u> |

- A. The Group's credit quality for accounts receivable is assessed in accordance with the customer's credit rating and the collection period for the calculation basis of impairment loss. The Group has an internal credit valuation policy for its customers and the Group's finance department routinely or randomly reevaluates whether the credit ratings are still appropriate and makes adjustments when necessary in order to ascertain the latest condition of the customers. The credit rating for customers is based on the scale of the industry operations, profit-generating conditions, and the credit rating given by financial institutions as references for assessment.
- B. The Company did not hold any accounts receivable that were past due but not impaired for the year ended 31st December 2013.
- C. Movement analysis of the allowance for bad debts of financial assets that were impaired is as follows:

| | <u>For the year ended 31st December 2013</u> | | |
|------------------------|--|------------------------|------------------|
| | <u>Individual provision</u> | <u>Group provision</u> | <u>Total</u> |
| At 1st January | \$ 2,536 | \$ 22,587 | \$ 25,123 |
| Reversal of impairment | (1,107) | 833 | (274) |
| At 31st December | <u>\$ 1,429</u> | <u>\$ 23,420</u> | <u>\$ 24,849</u> |

| | <u>For the year ended 31st December 2012</u> | | |
|------------------------|--|------------------------|------------------|
| | <u>Individual provision</u> | <u>Group provision</u> | <u>Total</u> |
| At 1st January | \$ 1,359 | \$ 30,186 | \$ 31,545 |
| Reversal of impairment | 1,177 | (7,599) | (6,422) |
| At 31st December | <u>\$ 2,536</u> | <u>\$ 22,587</u> | <u>\$ 25,123</u> |

- D. The maximum exposure to credit risk at 31st December 2013, 31st December 2012 and 1st January 2012 was the carrying amount of each class of accounts receivable.

(4) Inventories

| | <u>31st December 2013</u> | | |
|---|---------------------------|---|---------------------|
| | <u>Cost</u> | <u>Allowance for valuation loss</u> | <u>Book value</u> |
| Raw materials and supplies | \$ 1,700,025 | (\$ 73,089) | \$ 1,626,936 |
| Work in process | 1,314,048 | (1,220) | 1,312,828 |
| Finished goods and merchandise inventories | <u>5,131,087</u> | <u>(29,328)</u> | <u>5,101,759</u> |
| | <u>\$ 8,145,160</u> | <u>(\$ 103,637)</u> | <u>\$ 8,041,523</u> |

| | <u>31st December 2012</u> | | |
|---|---------------------------|---|---------------------|
| | <u>Cost</u> | <u>Allowance for valuation loss</u> | <u>Book value</u> |
| Raw materials and supplies | \$ 1,478,668 | (\$ 88,946) | \$ 1,389,722 |
| Work in process | 731,550 | (1,752) | 729,798 |
| Finished goods and merchandise inventories | <u>5,109,859</u> | <u>(38,390)</u> | <u>5,071,469</u> |
| | <u>\$ 7,320,077</u> | <u>(\$ 129,088)</u> | <u>\$ 7,190,989</u> |

| | <u>1st January 2012</u> | | |
|---|-------------------------|---|---------------------|
| | <u>Cost</u> | <u>Allowance for valuation loss</u> | <u>Book value</u> |
| Raw materials and supplies | \$ 1,721,506 | (\$ 101,832) | \$ 1,619,674 |
| Work in process | 858,569 | (4,323) | 854,246 |
| Finished goods and merchandise inventories | <u>3,679,887</u> | <u>(72,475)</u> | <u>3,607,412</u> |
| | <u>\$ 6,259,962</u> | <u>(\$ 178,630)</u> | <u>\$ 6,081,332</u> |

Expense and loss incurred on inventories for the years ended 31st December 2013 and 2012 were as follows:

| | <u>For the years ended 31st December</u> | |
|---------------------------------------|--|----------------------|
| | <u>2013</u> | <u>2012</u> |
| Cost of inventories sold | \$ 39,272,259 | \$ 35,613,755 |
| Cost of warranty | 257,564 | 251,688 |
| Gain from price recovery of inventory | (25,451) | (49,542) |
| Loss (gain) on physical inventory | <u>5</u> | <u>(2)</u> |
| | <u>\$ 39,504,377</u> | <u>\$ 35,815,899</u> |

For the years ended 31st December 2013 and 2012, the Company recognized a gain from price recovery of inventories due to the sale of part of its inventories which were declining in market value.

(5) Other current assets

| | <u>31st December 2013</u> | <u>31st December 2012</u> | <u>1st January 2012</u> |
|------------------------|---------------------------|---------------------------|-------------------------|
| Other financial assets | \$ - | \$ 700,000 | \$ 290,000 |
| Others | <u>120,163</u> | <u>76,843</u> | <u>100,221</u> |
| | <u>\$ 120,163</u> | <u>\$ 776,843</u> | <u>\$ 390,221</u> |

(6) Held-to-maturity financial assets

| | <u>31st December 2013</u> | <u>31st December 2012</u> | <u>1st January 2012</u> |
|--------------------------|---------------------------|---------------------------|-------------------------|
| <u>Non-current items</u> | | | |
| Bank debentures | <u>\$ 148,410</u> | <u>\$ -</u> | <u>\$ -</u> |

A.The counterparties of the Company's debt instrument investments have credit quality ratings above "investment grade". The maximum exposure to credit risk at balance sheet date is the carrying amount of held-to-maturity financial assets.

B.As of 31st December 2013, no held-to-maturity financial assets held by the Company were pledged to others.

(7) Investments in bonds without active markets

| | <u>31st December 2013</u> | <u>31st December 2012</u> | <u>1st January 2012</u> |
|--------------------------|---------------------------|---------------------------|-------------------------|
| <u>Non-current items</u> | | | |
| Bank debentures | \$ - | \$ 27,827 | \$ - |
| Corporate bonds | <u>19,662</u> | <u>21,437</u> | <u>-</u> |
| | <u>\$ 19,662</u> | <u>\$ 49,264</u> | <u>\$ -</u> |

A.The counterparties of the Company's debt instrument investments have credit quality ratings above "investment grade". The maximum exposure to credit risk at balance sheet date is the carrying amount of bond investments without active market.

B.As of 31st December 2013 and 2012, no investments in bonds without active markets held by the Company were pledged to others.

(8) Investments accounted for using the equity method

| | <u>31st December 2013</u> | <u>31st December 2012</u> | <u>1st January 2012</u> |
|--|---------------------------|---------------------------|-------------------------|
| Freedom International Group Ltd. | \$ 5,476,989 | \$ 4,825,868 | \$ 4,914,258 |
| Chi-Ga Investments Corp. | 1,826,113 | 1,759,210 | 1,740,317 |
| Giga-Byte Communication Inc. | 202,591 | 185,534 | (61,832) |
| G-Style Co., Ltd. | 479,338 | 108,744 | 230,877 |
| Giga-Zone International Co., Ltd. | 41,476 | 20,567 | 81,140 |
| G.B.T. Inc. | (69,198) | (70,482) | (85,106) |
| G.B.T. Technology Trading GmbH and others | <u>145,394</u> | <u>170,189</u> | <u>123,377</u> |
| | 8,102,703 | 6,999,630 | 6,943,031 |
| Add: Reclassified to accounts receivable -related parties contra account | <u>69,198</u> | <u>70,482</u> | <u>147,072</u> |
| | <u>\$ 8,171,901</u> | <u>\$ 7,070,112</u> | <u>\$ 7,090,103</u> |

A. Please refer to Note 4,(3) in the consolidated financial statements for the year ended 31st December 2013 for more information on the Company's subsidiary.

B. The investment gain of \$133,484 in 2013 and the investment loss in 2012 of \$83,364 were accounted for under the equity method based on the audited financial statements of the investee companies for the years ended 31st December 2013 and 2012, respectively, except as stated in the following paragraph.

C. The Company continued to account for the operating losses of its subsidiaries, G.B.T. Inc. and(G.B.T. - USA) and Giga-Byte Communication Inc. (Giga-Byte Communication), under investment losses. As of 31st December 2013, 31st December 2012 and 1st January 2012, the credit balance of the carrying amount of investments recognised under the equity method was reclassified to a contra account of "accounts receivable-related parties, net".

(9) Property, plant and equipment

| | <u>Land</u> | <u>Buildings</u> | <u>Machinery</u> | <u>Others</u> | <u>Total</u> |
|------------------------------|-------------------|---------------------|-------------------|-------------------|---------------------|
| <u>At 1st January 2013</u> | | | | | |
| Cost | \$ 945,891 | \$ 1,544,072 | \$ 1,025,400 | \$ 606,336 | \$ 4,121,699 |
| Accumulated depreciation | <u>-</u> | <u>(468,702)</u> | <u>(944,522)</u> | <u>(532,485)</u> | <u>(1,945,709)</u> |
| | <u>\$ 945,891</u> | <u>\$ 1,075,370</u> | <u>\$ 80,878</u> | <u>\$ 73,851</u> | <u>\$ 2,175,990</u> |
| <u>2013</u> | | | | | |
| Opening net book amount | \$ 945,891 | \$ 1,075,370 | \$ 80,878 | \$ 73,851 | \$ 2,175,990 |
| Additions | - | 9,854 | 15,209 | 52,481 | 77,544 |
| Disposals | - | (1,767) | - | (280) | (2,047) |
| Reclassifications | (8,349) | (3,208) | 268 | (1,576) | (12,865) |
| Depreciation charge | <u>-</u> | <u>(30,600)</u> | <u>(22,393)</u> | <u>(36,973)</u> | <u>(89,966)</u> |
| Closing net book amount | <u>\$ 937,542</u> | <u>\$ 1,049,649</u> | <u>\$ 73,962</u> | <u>\$ 87,503</u> | <u>\$ 2,148,656</u> |
| <u>At 31st December 2013</u> | | | | | |
| Cost | \$ 937,542 | \$ 1,534,343 | \$ 1,031,175 | \$ 635,673 | \$ 4,138,733 |
| Accumulated depreciation | <u>-</u> | <u>(484,694)</u> | <u>(957,213)</u> | <u>(548,170)</u> | <u>(1,990,077)</u> |
| | <u>\$ 937,542</u> | <u>\$ 1,049,649</u> | <u>\$ 73,962</u> | <u>\$ 87,503</u> | <u>\$ 2,148,656</u> |

| | <u>Land</u> | <u>Buildings</u> | <u>Machinery</u> | <u>Others</u> | <u>Total</u> |
|------------------------------|-------------------|---------------------|------------------|------------------|---------------------|
| <u>At 1st January 2012</u> | | | | | |
| Cost | \$ 868,995 | \$ 1,503,372 | \$ 1,005,141 | \$ 629,558 | \$ 4,007,066 |
| Accumulated depreciation | - | (447,575) | (921,610) | (540,930) | (1,910,115) |
| | <u>\$ 868,995</u> | <u>\$ 1,055,797</u> | <u>\$ 83,531</u> | <u>\$ 88,628</u> | <u>\$ 2,096,951</u> |
| <u>2012</u> | | | | | |
| Opening net book amount | \$ 868,995 | \$ 1,055,797 | \$ 83,531 | \$ 88,628 | \$ 2,096,951 |
| Additions | - | 8,234 | 23,716 | 27,747 | 59,697 |
| Reclassifications | 76,896 | 42,376 | 1,666 | (1,666) | 119,272 |
| Depreciation charge | - | (31,037) | (28,035) | (40,858) | (99,930) |
| Closing net book amount | <u>\$ 945,891</u> | <u>\$ 1,075,370</u> | <u>\$ 80,878</u> | <u>\$ 73,851</u> | <u>\$ 2,175,990</u> |
| <u>At 31st December 2012</u> | | | | | |
| Cost | \$ 945,891 | \$ 1,544,072 | \$ 1,025,400 | \$ 606,336 | \$ 4,121,699 |
| Accumulated depreciation | - | (468,702) | (944,522) | (532,485) | (1,945,709) |
| | <u>\$ 945,891</u> | <u>\$ 1,075,370</u> | <u>\$ 80,878</u> | <u>\$ 73,851</u> | <u>\$ 2,175,990</u> |

The significant components of buildings include main plants and renovation projects, which are depreciated over 50 and 10 years, respectively.

(10) Investment property

| | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
|------------------------------|------------------|------------------|-------------------|
| <u>At 1st January 2013</u> | | | |
| Cost | \$ 89,121 | \$ 49,849 | \$ 138,970 |
| Accumulated depreciation | - | (1,384) | (1,384) |
| | <u>\$ 89,121</u> | <u>\$ 48,465</u> | <u>\$ 137,586</u> |
| <u>2013</u> | | | |
| Opening net book amount | \$ 89,121 | \$ 48,465 | \$ 137,586 |
| Reclassifications | 8,349 | 4,516 | 12,865 |
| Depreciation charge | - | (1,046) | (1,046) |
| Closing net book amount | <u>\$ 97,470</u> | <u>\$ 51,935</u> | <u>\$ 149,405</u> |
| <u>At 31st December 2013</u> | | | |
| Cost | \$ 97,470 | \$ 54,519 | \$ 151,989 |
| Accumulated depreciation | - | (2,584) | (2,584) |
| | <u>\$ 97,470</u> | <u>\$ 51,935</u> | <u>\$ 149,405</u> |

| | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
|------------------------------|-------------------|------------------|-------------------|
| <u>At 1st January 2012</u> | | | |
| Cost | \$ 166,018 | \$ 92,860 | \$ 258,878 |
| Accumulated depreciation | - | (759) | (759) |
| | <u>\$ 166,018</u> | <u>\$ 92,101</u> | <u>\$ 258,119</u> |
| <u>2012</u> | | | |
| Opening net book amount | \$ 166,018 | \$ 92,101 | \$ 258,119 |
| Reclassifications | (76,896) | (42,376) | (119,272) |
| Depreciation charge | - | (1,261) | (1,261) |
| Closing net book amount | <u>\$ 89,122</u> | <u>\$ 48,464</u> | <u>\$ 137,586</u> |
| <u>At 31st December 2012</u> | | | |
| Cost | \$ 89,121 | \$ 49,849 | \$ 138,970 |
| Accumulated depreciation | - | (1,384) | (1,384) |
| | <u>\$ 89,121</u> | <u>\$ 48,465</u> | <u>\$ 137,586</u> |

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

| | <u>For the years ended 31st December</u> | |
|---|--|-----------------|
| | <u>2013</u> | <u>2012</u> |
| Rental income from the lease of the investment property | <u>\$ 7,655</u> | <u>\$ 9,758</u> |
| Direct operating expenses arising from the investment property that generated rental income in the period | <u>\$ 1,046</u> | <u>\$ 1,261</u> |

B. The fair value of the investment property held by the Company as at 31st December 2013, 31st December 2012 and 1st January 2012 was \$183,929, \$169,285 and \$314,344, respectively, which was valued with reference to the future rental income and the related discounted cash flows. Key assumptions are as follows:

| | <u>31st December 2013</u> | <u>31st December 2012</u> | <u>1st January 2012</u> |
|---------------|---------------------------|---------------------------|-------------------------|
| Discount rate | 2.125% | 1.72% | 1.88% |

(11) Other non-current assets

| | <u>31st December 2013</u> | <u>31st December 2012</u> | <u>1st January 2012</u> |
|------------------------|---------------------------|---------------------------|-------------------------|
| Other financial assets | \$ 1,870,000 | \$ 880,000 | \$ 1,000,000 |
| Pledged assets | 40,000 | 40,000 | 94,874 |
| Others | <u>109,611</u> | <u>100,225</u> | <u>77,969</u> |
| | <u>\$ 2,019,611</u> | <u>\$ 1,020,225</u> | <u>\$ 1,172,843</u> |

Information about the restricted assets that were pledged to others as collateral is provided in Note 8.

(12) Other payables

| | <u>31st December 2013</u> | <u>31st December 2012</u> | <u>1st January 2012</u> |
|---|---------------------------|---------------------------|-------------------------|
| Salary and bonus payable | \$ 1,645,327 | \$ 1,115,175 | \$ 1,252,897 |
| Employees' dividends and directors' and supervisors' remuneration payable | 229,667 | 191,748 | 191,264 |
| Royalties payable | 92,080 | 55,242 | 73,023 |
| Shipping and freight-in payable | 65,878 | 74,949 | 62,859 |
| Others | <u>392,060</u> | <u>273,085</u> | <u>192,586</u> |
| | <u>\$ 2,425,012</u> | <u>\$ 1,710,199</u> | <u>\$ 1,772,629</u> |

(13) Provisions

A. Movement analysis of the provision for warranty is as follows:

| | <u>For the years ended 31st December</u> | |
|------------------------|--|-------------------|
| | <u>2013</u> | <u>2012</u> |
| At 1st January 2013 | \$ 442,611 | \$ 440,940 |
| Additional provisions | 257,564 | 251,688 |
| Used during the period | (254,767) | (250,017) |
| At 31st December 2013 | <u>\$ 445,408</u> | <u>\$ 442,611</u> |

B. The Company gives warranties on the peripherals and accessories of computer hardware sold. Provision for warranty is estimated based on the historical repair records of the product.

(14) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

(b) The amounts recognised in the balance sheet are determined as follows:

| | <u>31st December 2013</u> | <u>31st December 2012</u> | <u>1st January 2012</u> |
|-------------------------------------|---------------------------|---------------------------|-------------------------|
| Present value of funded obligations | (\$ 626,517) | (\$ 634,668) | (\$ 539,391) |
| Fair value of plan assets | <u>244,676</u> | <u>241,827</u> | <u>239,915</u> |
| Net liability in the balance sheet | <u>(\$ 381,841)</u> | <u>(\$ 392,841)</u> | <u>(\$ 299,476)</u> |

(c) Changes in present value of funded obligations are as follows:

| | <u>2013</u> | <u>2012</u> |
|-------------------------------------|---------------------|---------------------|
| Present value of funded obligations | | |
| At 1st January | (\$ 634,668) | (\$ 539,391) |
| Current service cost | (7,901) | (7,279) |
| Interest expense | (9,502) | (9,423) |
| Actuarial profit and loss | 15,608 | (89,117) |
| Benefits paid | <u>9,946</u> | <u>10,542</u> |
| At 31st December | <u>(\$ 626,517)</u> | <u>(\$ 634,668)</u> |

(d) Changes in fair value of plan assets are as follows:

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|-------------------|-------------------|
| Fair value of plan assets | | |
| At 1st January | \$ 241,827 | \$ 239,915 |
| Expected return on plan assets | 4,334 | 4,912 |
| Actuarial profit and loss | (1,280) | (2,586) |
| Employer contributions | 9,741 | 10,128 |
| Benefits paid | <u>(9,946)</u> | <u>(10,542)</u> |
| At 31st December | <u>\$ 244,676</u> | <u>\$ 241,827</u> |

(e) Amounts of expenses recognised in comprehensive income statements are as follows:

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|------------------|------------------|
| Current service cost | \$ 7,901 | \$ 7,279 |
| Interest cost | 9,502 | 9,423 |
| Expected return on plan assets | <u>(4,334)</u> | <u>(4,912)</u> |
| Current pension costs | <u>\$ 13,069</u> | <u>\$ 11,790</u> |

Details of cost and expenses recognised in comprehensive income statements are as follows:

| | <u>2013</u> | <u>2012</u> |
|-------------------------------------|------------------|------------------|
| Operating costs | \$ 6,914 | \$ 6,237 |
| Selling expenses | 2,395 | 2,160 |
| General and administrative expenses | 1,127 | 1,017 |
| Research and development expenses | <u>2,633</u> | <u>2,376</u> |
| | <u>\$ 13,069</u> | <u>\$ 11,790</u> |

(f) Amounts recognised under other comprehensive income are as follows:

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|--------------------|------------------|
| Recognition for current period | <u>(\$ 14,328)</u> | <u>\$ 91,703</u> |
| Accumulated amount | <u>\$ 77,375</u> | <u>\$ 91,703</u> |

(g) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined

benefit pension plan in accordance with the Fund’s annual investment and utilisation plan and the “Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund” (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of 31st December 2013 and 2012 is given in the Annual Labor Retirement Fund Utilisation Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund’s minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

(h) The principal actuarial assumptions used were as follows:

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--------------------------------|--------------|--------------|--------------|
| Discount rate | <u>2.00%</u> | <u>1.50%</u> | <u>1.75%</u> |
| Future salary increases | <u>3.00%</u> | <u>3.00%</u> | <u>3.00%</u> |
| Expected return on plan assets | <u>1.75%</u> | <u>1.75%</u> | <u>2.00%</u> |

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

(i) Historical information of experience adjustments was as follows:

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Present value of defined benefit obligation | (\$ 626,517) | (\$ 634,668) |
| Fair value of plan assets | <u>244,676</u> | <u>241,827</u> |
| Deficit in the plan | <u>(\$ 381,841)</u> | <u>(\$ 392,841)</u> |
| Experience adjustments on plan liabilities | <u>(\$ 4,020)</u> | <u>(\$ 58,139)</u> |
| Experience adjustments on plan assets | <u>(\$ 1,280)</u> | <u>(\$ 2,586)</u> |

(j) Expected contributions to the defined benefit pension plans of the Company within one year from 31st December 2013 amounts to \$13,967.

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Company for the years ended 31st December 2013 and 2012 were \$77,309 and \$99,027, respectively.

(15) Income tax

A. Income tax expense

Components of income tax expense:

| | <u>For the years ended 31st December</u> | |
|---|--|-------------------|
| | <u>2013</u> | <u>2012</u> |
| Current tax: | | |
| Current tax on profits for the period | \$ 260,943 | \$ 109,257 |
| Adjustments in respect of prior years | <u>12,507</u> | <u>(38,411)</u> |
| Total current tax | <u>273,450</u> | <u>70,846</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | <u>3,170</u> | <u>49,996</u> |
| Total deferred tax | <u>3,170</u> | <u>49,996</u> |
| Income tax expense | <u>\$ 276,620</u> | <u>\$ 120,842</u> |

B. Reconciliation between income tax expense and accounting profit

| | <u>For the years ended 31st December</u> | |
|--|--|-------------------|
| | <u>2013</u> | <u>2012</u> |
| Tax calculated based on profit before tax and statutory tax rate | \$ 447,467 | \$283,823 |
| Effects from items disallowed by tax regulation | (57,064) | (48,137) |
| Effect from investment tax credit | (37,466) | (32,065) |
| Additional 10% tax on undistributed earnings | 14,486 | 16,362 |
| Prior year income tax (over) underestimation | 12,507 | (38,411) |
| Changes from revaluation of deferred income tax assets | (69,266) | (36,597) |
| Effect from tax-exempted income | <u>(34,044)</u> | <u>(24,133)</u> |
| Tax expense | <u>\$ 276,620</u> | <u>\$ 120,842</u> |

C.Amounts of deferred tax assets or liabilities as a result of temporary difference and investment tax credit are as follows:

| For the year ended 31st December 2013 | | | | | |
|---|--------------------|---|---|---------------------------------|--------------------------|
| | <u>1st January</u> | <u>Recognised in profit or loss</u> | <u>Recognised in other comprehensive income</u> | <u>Recognised in equity</u> | <u>31st December</u> |
| Temporary differences: | | | | | |
| – Deferred tax assets: | | | | | |
| Provision for warranty expense | \$ 75,245 | \$ 475 | \$ - | \$ - | \$ 75,720 |
| Allowance for inventory loss | 21,945 | (4,327) | - | - | 17,618 |
| Pension expense | 32,347 | 566 | - | - | 32,913 |
| Unrealized profit on intercompany sales | 36,426 | 40,848 | - | - | 77,274 |
| Others | 34,612 | 7,324 | - | - | 41,936 |
| Investment tax credits | <u>41,058</u> | <u>(41,058)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Subtotal | 241,633 | 3,828 | - | - | 245,461 |
| – Deferred tax liabilities: | | | | | |
| Unrealized exchange gain | (6,303) | (6,998) | - | - | (13,301) |
| Actuarial gain (loss) on defined benefit plan | <u>-</u> | <u>-</u> | <u>(2,436)</u> | <u>-</u> | <u>(2,436)</u> |
| Subtotal | <u>(6,303)</u> | <u>(6,998)</u> | <u>(2,436)</u> | <u>-</u> | <u>(15,737)</u> |
| Total | <u>\$ 235,330</u> | <u>(\$ 3,170)</u> | <u>(\$ 2,436)</u> | <u>\$ -</u> | <u>\$ 229,724</u> |

| For the year ended 31st December 2012 | | | | | |
|---|--------------------|---|---|---------------------------------|--------------------------|
| | <u>1st January</u> | <u>Recognised in profit or loss</u> | <u>Recognised in other comprehensive income</u> | <u>Recognised in equity</u> | <u>31st December</u> |
| Temporary differences: | | | | | |
| – Deferred tax assets: | | | | | |
| Provision for warranty expense | \$ 74,960 | \$ 285 | \$ - | \$ - | \$ 75,245 |
| Allowance for inventory loss | 30,367 | (8,422) | - | - | 21,945 |
| Pension expense | 29,559 | 2,788 | - | - | 32,347 |
| Royalties payable | 5,610 | (5,610) | - | - | - |
| Unrealized profit on intercompany sales | 43,531 | (7,105) | - | - | 36,426 |
| Others | 35,638 | (1,026) | - | - | 34,612 |
| Investment tax credits | <u>54,617</u> | <u>(13,559)</u> | <u>-</u> | <u>-</u> | <u>41,058</u> |
| Subtotal | 274,282 | (32,649) | - | - | 241,633 |
| – Deferred tax liabilities: | | | | | |
| Unrealized exchange gain | <u>11,044</u> | <u>(17,347)</u> | <u>-</u> | <u>-</u> | <u>(6,303)</u> |
| Total | <u>\$ 285,326</u> | <u>(\$ 49,996)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 235,330</u> |

D. According to Statute for Upgrading Industries (before its abolishment), details of the amount the Company is entitled as investment tax credit are as follows:

| <u>31st December 2012</u> | | |
|---------------------------|---------------------------|---------------------------------------|
| <u>Qualifying items</u> | <u>Unused tax credits</u> | <u>Final year tax credits are due</u> |
| Research and development | \$ 41,058 | 2013 |

| <u>1st January 2012</u> | | |
|--------------------------|---------------------------|---------------------------------------|
| <u>Qualifying items</u> | <u>Unused tax credits</u> | <u>Final year tax credits are due</u> |
| Research and development | \$ 54,617 | 2013 |

E. The Company's motherboard products qualify for manufacturing enterprises and related technical service enterprises, and the Company is entitled to the income tax exemption for 5 consecutive years (until June 2013) under the Statute for Upgrading Industry.

F. As of 31st December 2013, the Company's income tax returns through 2011 have been assessed and approved by the Tax Authority.

G. The Company has applied for tax re-examination for year 2006 because the payroll expense was assessed as not conforming to the regulation of the Tax Law, which caused an additional \$54,874 tax payable. Based on the conservatism principle, the Company has accrued such additional tax payable in the 2009 financial statements. According to the report on tax re-examination result issued by the Tax Authority on 27th June 2012, an additional \$2,404 tax payable was confirmed for the Company's 2006 income tax return. Therefore, the difference of \$52,470 had been adjusted in the income tax expense of 2012.

H. Unappropriated retained earnings

| | <u>31st December 2013</u> | <u>31st December 2012</u> | <u>1st January 2012</u> |
|---------------------------------------|---------------------------|---------------------------|-------------------------|
| Earnings generated in and before 1997 | \$ 62,797 | \$ 62,797 | \$ 164,237 |
| Earnings generated in and after 1998 | <u>7,279,092</u> | <u>6,319,374</u> | <u>6,267,934</u> |
| | <u>\$ 7,341,889</u> | <u>\$ 6,382,171</u> | <u>\$ 6,432,171</u> |

I. Details related to the shareholders' imputation tax credit amount and creditable tax ratio are as follows:

| | <u>31st December 2013</u> | <u>31st December 2012</u> | <u>1st January 2012</u> |
|---|--|---------------------------|-------------------------|
| Imputation tax credit account balance | <u>\$ 791,590</u> | <u>\$ 965,651</u> | <u>\$ 837,206</u> |
| | <u>For the years ended 31st December</u> | | |
| | <u>2013</u> | <u>2012</u> | |
| Creditable tax ratio of the total distributed retained earnings | <u>10.87%</u> | <u>15.70%</u> | |
| | (estimated) | (actual) | |

(16) Share capital

A. As of 31st December 2013, the Company's authorized capital was \$9,500,000, consisting of 950,000 thousand shares of ordinary shares (including 250,000 thousand shares reserved for employee stock options and for convertible bonds issued by the Company), and the paid-in capital was \$6,265,714 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected:

Movements in the number of the Company's ordinary shares outstanding are as follows:

| | <u>For the years ended 31st December</u> | |
|----------------------------------|--|--------------------|
| | <u>2013</u> | <u>2012</u> |
| At 1st January | 625,891,386 | 638,306,386 |
| Employee stock options exercised | 680,000 | 5,145,000 |
| Shares retired | - | (17,560,000) |
| At 31st December | <u>626,571,386</u> | <u>625,891,386</u> |

B. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

| | | <u>1st January 2012</u> | |
|---|--|-------------------------|------------------------|
| <u>Name of company holding the shares</u> | <u>Reason for reacquisition</u> | <u>Number of shares</u> | <u>Carrying amount</u> |
| The Company | To preserve the Company's credit rating and shareholders' equity | <u>2,803,000</u> | <u>\$ 60,912</u> |

(b) Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

C. The Company issued 7.5 million units (entitled to 30 million ordinary shares of the Company) of Global Deposit Receipts (GDRs) as of 17th July 2000, the issue price was USD \$16.76 per unit; as of 31st December 2012, the Company had only 7,509 units outstanding, in order to lower the related managing expenses, the Company terminated the abovementioned GDRs in January 2013, and the depositing and custodian institution completed the transactions for cancellation and allotment of the purchase price in August of the same year.

D. The number of shares of common stock issued for the year ended 31st December 2013 due to the exercise of employee stock options is 680,000 shares. Such shares shall be registered on a quarterly basis pursuant to relevant laws and regulations. As of 18th March 2014, the shares above have been registered.

(17)Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(18)Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses and then 10% of the remaining amount shall be set aside as legal reserve, unless accumulated legal reserve has reached an amount equal to the Company's paid-in capital. And then special reserve shall be set aside or reversed according to the laws or decrees or the regulations of competent authorities. Appropriation (5% ~ 80%) of the remainder plus prior year's accumulated retained earnings shall be proposed by the Board of Directors and resolved by the stockholders as follows:

- (1) 6% to 10% as bonuses to employees;
- (2) Not more than 3% as remuneration to directors and supervisors; and
- (3) Not less than 87% as dividends to stockholders, of which, not less than 5% shall be distributed in the form of cash. If the cash dividend is less than ten cents (NT\$0.1) per share, such dividend shall be distributed in the form of shares.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

C.(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated 6th April 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The estimated amount of employees' bonus of 2013 and 2012 was \$176,667 and \$146,667, respectively; and the estimated amounts of directors' and supervisors' remuneration of 2013 and 2012 was \$53,000 and \$45,081, respectively, as prescribed by the Company's Articles of Incorporation, of the Company's 2013 and 2012 net income after taking into account the legal reserve and other factors.

The amounts of employees' cash bonus and directors' and supervisors' remuneration of 2012 as resolved by stockholders were different from the amounts recognised in the 2012 financial statements (employees' cash bonus of \$146,667 and directors' and supervisors' remuneration of \$45,081). The difference of \$4,600 has been adjusted in the profit or loss for 2013. The appropriation of retained earnings for 2013 has not been resolved by the Board of Directors. Information on the appropriation of the Company's employees' bonus

and directors' and supervisors' remuneration as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

E. The appropriation of 2012 earnings had been proposed by the Board of Directors on 14th June 2013 and the appropriation of 2011 earnings had been resolved at the stockholders' meeting on 18th June 2012. Details are summarized below:

| | 2012 | | 2011 | |
|--|------------|----------------------------------|------------|----------------------------------|
| | Amount | Dividends per share (in dollars) | Amount | Dividends per share (in dollars) |
| Legal reserve | \$ 155,257 | | \$ 156,919 | |
| Cash dividends | 1,252,453 | \$ 2.00 | 1,248,645 | \$ 2.00 |
| Directors' and supervisors' remuneration | 43,188 | | 43,057 | |
| Employees' cash bonus | 143,960 | | 143,522 | |

(19) Share-based payment

A. As of 31st December 2013, the Company's share-based payment transactions are set forth below:

| Type of arrangement | Grant date | Quantity granted | Contract period | Vesting conditions | Actual resignation rate in the current period | Estimated future resignation rate |
|------------------------|------------|-------------------|-----------------|---------------------------------------|---|-----------------------------------|
| Employee stock options | 2007.12.19 | 40,000,000 shares | 10 years | 2~4 years' service vested immediately | 0% | 0% |

B. Details of the employee stock options are set forth below:

| | For the years ended 31st December | | | |
|--|-----------------------------------|--|------------------------------|--|
| | 2013 | | 2012 | |
| | No. of shares (in thousands) | Weighted-average exercise price (in dollars) | No. of shares (in thousands) | Weighted-average exercise price (in dollars) |
| Employee stock options | | | | |
| Options outstanding at beginning of year | 13,211 | \$ 13.68 | 18,372 | \$ 14.80 |
| Options granted | - | - | - | - |
| Options exercised | (680) | 13.22 | (5,145) | 14.51 |
| Options revoked | - | - | (16) | 14.29 |
| Options outstanding at end of year | <u>12,531</u> | 12.70 | <u>13,211</u> | 13.68 |
| Options exercisable at end of year | <u>12,531</u> | | <u>13,211</u> | |

C. The weighted-average stock price of stock options at exercise date of 2013 and 2012 was \$25.99~\$37.48 and \$22.67~\$27.66 (in dollars), respectively.

D. As of 31st December 2013, 31st December 2012 and 1st January 2012, the range of exercise price of stock options outstanding was \$12.70, \$13.68 and \$14.80 respectively, and the weighted-average remaining vesting period was 3.97 years, 4.97 years and 5.97 years, respectively.

E. For the stock options granted by the Company with the compensation cost accounted for using the fair value method, their fair value on the grant date is estimated using the Black-Scholes option-pricing

model. The weighted-average parameters used in the estimation of the fair value are as follows:

| <u>Type of arrangement</u> | <u>Grant date</u> | <u>Stock price</u> | <u>Exercise price</u> | <u>Price volatility</u> | <u>Option life</u> | <u>Dividends</u> | <u>Interest rate</u> | <u>Fair value per unit</u> |
|----------------------------|-------------------|--------------------|-----------------------|-------------------------|--------------------|------------------|----------------------|----------------------------|
| Employee stock options | 2007.12.19 | \$ 19 | \$ 19 | 39.16% | 6.35 years | - | 2.58% | \$ 8.1648 |

(20) Earnings per share

| | <u>For the year ended 31st December 2013</u> | | |
|--|--|--|--|
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary shares outstanding (share in thousands)</u> | <u>Earnings per share (in dollars)</u> |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | \$ 2,355,536 | 626,259 | \$ <u>3.76</u> |
| <u>Diluted earnings per share</u> | | | |
| Assumed conversion of all dilutive potential ordinary shares | - | 4,401 | |
| – Employees’ bonus | | | |
| – Convertible bonds | - | 7,205 | |
| Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares | \$ <u>2,355,536</u> | <u>637,865</u> | \$ <u>3.69</u> |

| | <u>For the year ended 31st December 2012</u> | | |
|--|--|--|--|
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary shares outstanding (share in thousands)</u> | <u>Earnings per share (in dollars)</u> |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | \$ 1,548,707 | 625,162 | \$ <u>2.48</u> |
| <u>Diluted earnings per share</u> | | | |
| Assumed conversion of all dilutive potential ordinary shares | - | 6,111 | |
| – Employees’ bonus | | | |
| – Convertible bonds | - | 6,807 | |
| Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares | \$ <u>1,548,707</u> | <u>638,080</u> | \$ <u>2.43</u> |

As employees’ bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would be increased from employees’ stock bonus issuance in the weighted-average number of common shares outstanding during the reporting year, which take into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year that include the shares of employees’ stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders’ meeting held in the reporting year.

(21) Other income

| | <u>For the years ended 31st December</u> | |
|-----------------|--|-------------------|
| | <u>2013</u> | <u>2012</u> |
| Interest income | \$ 59,371 | \$ 62,483 |
| Other income | <u>195,643</u> | <u>229,981</u> |
| | <u>\$ 255,014</u> | <u>\$ 292,464</u> |

(22) Other gains and losses

| | <u>For the years ended 31st December</u> | |
|---|--|------------------|
| | <u>2013</u> | <u>2012</u> |
| Net currency exchange gains | \$ 302,719 | \$ 3,043 |
| Gains on disposal of investments | 692 | 7,958 |
| Net gains on financial liabilities at fair value through profit or loss | 2,055 | 4,996 |
| Losses on disposal of property, plant and equipment | (1,177) | - |
| Others | <u>(1,045)</u> | <u>(1,835)</u> |
| Total | <u>\$ 303,244</u> | <u>\$ 14,162</u> |

(23) Expenses by nature

| | <u>For the year ended 31st December 2013</u> | | | <u>For the year ended 31st December 2012</u> | | |
|--------------------------|--|--------------------------|--------------|--|--------------------------|--------------|
| <u>Item</u> | <u>Operating cost</u> | <u>Operating expense</u> | <u>Total</u> | <u>Operating cost</u> | <u>Operating expense</u> | <u>Total</u> |
| Employee benefit expense | \$ 673,655 | \$ 2,664,065 | \$ 3,337,720 | \$ 635,074 | \$ 2,257,928 | \$ 2,893,002 |
| Depreciation | 37,087 | 52,879 | 89,966 | 42,584 | 57,346 | 99,930 |
| Amortization | 5,244 | 163,818 | 169,062 | 2,153 | 116,451 | 118,604 |

(24) Employee benefit expense

| | <u>For the years ended 31st December</u> | |
|---------------------------------|--|---------------------|
| | <u>2013</u> | <u>2012</u> |
| Wages and salaries | \$ 3,000,768 | \$ 2,558,098 |
| Labor and health insurance fees | 165,926 | 147,988 |
| Pension costs | 90,378 | 110,817 |
| Other personnel expenses | <u>80,648</u> | <u>76,099</u> |
| | <u>\$ 3,337,720</u> | <u>\$ 2,893,002</u> |

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions and balances

A. Sales of goods

| | <u>For the years ended 31st December</u> | |
|-----------------|--|----------------------|
| | <u>2013</u> | <u>2012</u> |
| Sales of goods: | | |
| — Subsidiaries | <u>\$ 31,264,439</u> | <u>\$ 26,208,862</u> |

The sales prices to related parties were based on the agreed contracts. Credit terms to related parties were within 14~90 days after receipt of goods. Credit terms to third parties were up to 70 days after shipment of goods.

B. Purchases of goods

| | <u>For the years ended 31st December</u> | |
|---------------------|--|-------------------|
| | <u>2013</u> | <u>2012</u> |
| Purchases of goods: | | |
| — Subsidiaries | <u>\$ 415,679</u> | <u>\$ 183,099</u> |

All purchases from related parties are based on negotiated terms because the related products are unique and cannot be purchased from third parties. The payment terms for related parties are not significantly different from those with third parties. The payment terms for third parties is 30 days after receipt of goods or 60~90 days after monthly billing.

C. Processing expense

| | <u>For the years ended 31st December</u> | |
|------------------------|--|---------------------|
| | <u>2013</u> | <u>2012</u> |
| Purchases of services: | | |
| — Subsidiaries | <u>\$ 1,277,876</u> | <u>\$ 1,306,131</u> |

The payments to G.B.T.-LBN were for the subcontracts to Dongguan Gigabyte and Ningbo Gita-Byte which were arranged through G.B.T.-LBN.

D. Warranty expense

| | <u>For the years ended 31st December</u> | |
|------------------------|--|------------------|
| | <u>2013</u> | <u>2012</u> |
| Purchases of services: | | |
| — Subsidiaries | <u>\$ 58,430</u> | <u>\$ 64,509</u> |

E. Service commission (accounted for as “sales expense”)

| | <u>For the years ended 31st December</u> | |
|------------------------|--|-------------------|
| | <u>2013</u> | <u>2012</u> |
| Purchases of services: | | |
| — Subsidiaries | <u>\$ 173,235</u> | <u>\$ 175,980</u> |

F. Accounts receivable

| | <u>31st December 2013</u> | <u>31st December 2012</u> | <u>1st January 2012</u> |
|--|---------------------------|---------------------------|-------------------------|
| Receivables from related parties: | | | |
| — Subsidiaries | \$ 3,014,682 | \$ 2,877,531 | \$ 2,456,965 |
| Less: Credit balance of long-term equity investments accounted for under the equity method | (69,198) | (70,482) | (147,072) |
| | <u>\$ 2,945,484</u> | <u>\$ 2,807,049</u> | <u>\$ 2,309,893</u> |

G. Accounts payable

| | <u>31st December 2013</u> | <u>31st December 2012</u> | <u>1st January 2012</u> |
|------------------------------|---------------------------|---------------------------|-------------------------|
| Payables to related parties: | | | |
| — Subsidiaries | <u>\$ 383,162</u> | <u>\$ 326,566</u> | <u>\$ 292,617</u> |

H. Endorsements and guarantees provided to related parties

| | <u>31st December 2013</u> | <u>31st December 2012</u> | <u>1st January 2012</u> |
|--------------|---------------------------|---------------------------|-------------------------|
| Subsidiaries | <u>\$ 500,000</u> | <u>\$ 500,000</u> | <u>\$ 621,100</u> |

(2) Key management compensation

| | <u>For the years ended 31st December</u> | |
|---|--|-------------------|
| | <u>2013</u> | <u>2012</u> |
| Salaries and other short-term employee benefits | <u>\$ 342,821</u> | <u>\$ 271,131</u> |

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

| <u>Pledged asset</u> | <u>Book value</u> | | | <u>Purpose</u> |
|---|---------------------------|---------------------------|-------------------------|---|
| | <u>31st December 2013</u> | <u>31st December 2012</u> | <u>1st January 2012</u> | |
| Pledged asset (accounted for as "Other non-current assets") | | | | |
| Pledged deposits | \$ 40,000 | \$ 40,000 | \$ 94,874 | Guarantee for the customs duties and deposits |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue employee stock option or buyback and retire treasury stock.

(2) Financial instruments

A. Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits, notes payable, accounts payable, other payables and deposits received) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

| | <u>31st December 2013</u> | |
|---|---------------------------|---------------------|
| | <u>Book value</u> | <u>Fair value</u> |
| Financial assets: | | |
| Held-to-maturity financial assets | \$ 148,410 | \$ 148,113 |
| Investments in bonds without active markets | 19,662 | 18,543 |
| Other financial assets | <u>1,870,000</u> | <u>1,864,949</u> |
| Total | <u>\$ 2,038,072</u> | <u>\$ 2,031,605</u> |

| | <u>31st December 2012</u> | |
|---|---------------------------|---------------------|
| | <u>Book value</u> | <u>Fair value</u> |
| Financial assets: | | |
| Investments in bonds without active markets | \$ 49,264 | \$ 50,305 |
| Other financial assets | <u>1,580,000</u> | <u>1,573,411</u> |
| Total | <u>\$ 1,629,264</u> | <u>\$ 1,623,716</u> |

| | <u>1st January 2012</u> | |
|------------------------|-------------------------|---------------------|
| | <u>Book value</u> | <u>Fair value</u> |
| Financial assets: | | |
| Other financial assets | <u>\$ 1,290,000</u> | <u>\$ 1,291,505</u> |

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance.
- (b) Risk management is carried out by a treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

31st December 2013

| | Sensitivity analysis | | | | | |
|---|---|---------------|---------------------|---------------------|--------------------------|--------------------------------------|
| | Foreign Currency Amount (In Thousands) | Exchange Rate | Book Value (NTD) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | | | |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 308,281 | 29.950 | \$ 9,233,016 | 1% | \$ 92,330 | \$ - |
| RMB:NTD | 25,451 | 4.947 | 125,906 | 1% | 1,259 | |
| <u>Non-monetary items</u> | | | | | | |
| USD:NTD | \$ 9,628 | 29.950 | \$ 288,359 | 1% | \$ 2,884 | \$ - |
| EUR:NTD | 2,419 | 41.271 | 99,835 | 1% | 998 | - |
| USD:NTD | 181,587 | 29.950 | 5,438,531 | 1% | - | 54,385 |
| INR:NTD | 94,427 | 0.484 | 45,703 | 1% | - | 457 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 183,089 | 29.950 | \$ 5,483,516 | 1% | \$ 54,835 | \$ - |

31st December 2012

| | Foreign Currency | | | Sensitivity analysis | | |
|---|--------------------------|------------------|---------------------|------------------------|-----------------------------|--|
| | Amount (In Thousands) | Exchange Rate | Book Value (NTD) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | | | |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 301,502 | 29.04 | \$ 8,755,618 | 1% | \$ 87,556 | \$ - |
| EUR:NTD | 72 | 38.49 | 2,771 | 1% | 28 | |
| <u>Non-monetary items</u> | | | | | | |
| USD:NTD | \$ 3,468 | 29.04 | \$ 100,711 | 1% | \$ 1,007 | \$ - |
| USD:NTD | 166,162 | 29.04 | 4,825,344 | 1% | - | 48,253 |
| INR:NTD | 86,249 | 0.52 | 44,849 | 1% | - | 448 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 207,408 | 29.04 | \$ 6,023,128 | 1% | \$ 60,231 | \$ - |

1st January 2012

| | Sensitivity analysis | | | | | |
|---|---|---------------|---------------------|---------------------|--------------------------|--------------------------------------|
| | Foreign Currency Amount (In Thousands) | Exchange Rate | Book Value (NTD) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | | | |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 255,907 | 30.29 | \$ 7,751,423 | 1% | \$ 77,514 | \$ - |
| EUR:NTD | 369 | 39.20 | 14,465 | 1% | 145 | |
| <u>Non-monetary items</u> | | | | | | |
| USD:NTD | \$ 3,085 | 30.29 | \$ 93,445 | 1% | \$ 934 | \$ - |
| USD:NTD | 161,008 | 30.29 | 4,876,932 | 1% | - | 48,769 |
| INR:NTD | 75,111 | 0.57 | 42,813 | 1% | - | 4,281 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD:NTD | \$ 164,916 | 30.29 | \$ 4,995,306 | 1% | \$ 49,953 | \$ - |

Price risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

Interest rate risk

- i. The domestic bond fund investment by the Company was held mainly for trading purposes, the effective interest rate of this fund is affected by the market interest rate.
- ii. The structured notes and investment floating bonds of the Company were range accrual notes, the effective interest rate of these notes are affected by the market interest rate; accordingly, the Company's future cash flows would fluctuate with the market interest rate change.
- iii. For fixed interest rate bond investments held by the Company classified as financial assets at fair value through profit or loss, changes in market interest rates would affect their fair values. At 31st December 2013 and 2012, if market interest rates had been 1% higher/lower with all other variables held constant, other comprehensive income for the years ended 31st December 2013 and 2012 would have been \$707 and \$0 lower/higher, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- ii. The bond fund held by the Company was issued by well-known foreign banks and securities investment trust companies owned by or affiliated with domestic financial holding companies with good credit standing. Since the Company trades with several securities investment trust companies, credit risk is low.
- iii. The Company has lower significant concentrations of credit risk, due to investment in corporate bonds or financial bonds. The maximum loss to the Company is the total amount of all book value.

- iv. The structured notes investment of the Company were issued by well-known banks or asset management companies, and accordingly, the credit risk of the counterparties is minimal.
- v. The Company has lower significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. The Company had credit insurance coverage for a majority of its customers. Accordingly, credit risk is low. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- vi. Loan guarantees provided by the Company are in compliance with the Company's "Procedures for Provision of Endorsements and Guarantees" and are only provided to affiliated companies of which the Company owns directly or indirectly more than 50% ownership or a company which trades with the Company. As the Company is fully aware of the credit conditions of these related parties, it has not asked for collateral for the loan guarantees provided. In the event that these related parties fail to comply with loan agreements with banks, the maximum loss to the Company is the total amount of loan guarantees as listed above.
- vii. The credit quality information of financial assets that are neither past due nor impaired is provided in the statement for each type of financial assets in Note 6.
- viii. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial assets in Note 6.

(c) Liquidity risk

- i. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.
- ii. Potential liquidity risk of structured time deposits held by the Company lies in that those assets have no sale-back option before expiry of the contract; however, the Company may terminate the contract early before expiry, yet it shall compensate its counterparty with default penalty and handling fees for early termination of the contract or compensate for counterparty's hedging loss and related expenses incurred.
- iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

Non-derivative financial liabilities:

| 31st December 2013 | <u>Less than 1 year</u> | <u>Between 1 and 2 years</u> | <u>Over 2 years</u> | <u>Total</u> |
|--------------------|-------------------------|------------------------------|---------------------|--------------|
| Notes payable | \$ 29,150 | \$ - | \$ - | \$ 29,150 |
| Accounts payable | 5,548,209 | - | - | 5,548,209 |
| Other payables | 2,425,012 | - | - | 2,425,012 |

Non-derivative financial liabilities:

| 31st December 2012 | <u>Less than 1 year</u> | <u>Between 1 and 2 years</u> | <u>Over 2 years</u> | <u>Total</u> |
|--------------------|-------------------------|------------------------------|---------------------|--------------|
| Notes payable | \$ 20,680 | \$ - | \$ - | \$ 20,680 |
| Accounts payable | 6,426,589 | - | - | 6,426,589 |
| Other payables | 1,710,199 | - | - | 1,710,199 |

Non-derivative financial liabilities:

| 1st January 2012 | <u>Less than 1 year</u> | <u>Between 1 and 2 years</u> | <u>Over 2 years</u> | <u>Total</u> |
|------------------|-------------------------|------------------------------|---------------------|--------------|
| Notes payable | \$ 28,385 | \$ - | \$ - | \$ 28,385 |
| Accounts payable | 5,196,456 | - | - | 5,196,456 |
| Other payables | 1,772,629 | - | - | 1,772,629 |

- iv. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value estimation

A. The table below analyses financial instruments measured at fair value, by valuation method.

The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

The following table presents the Company's financial assets and liabilities that are measured

at fair value at 31st December 2013, 31st December 2012 and 1st January 2012:

| 31st December 2013 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|-------------------|----------------|----------------|-------------------|
| <u>Financial assets:</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 681,342 | \$ - | \$ - | \$ 681,342 |
| Debt securities | <u>70,737</u> | <u>-</u> | <u>-</u> | <u>70,737</u> |
| Total | <u>\$ 752,079</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 752,079</u> |

| 31st December 2012 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|-------------------|----------------|----------------|-------------------|
| <u>Financial assets:</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | <u>\$ 554,660</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 554,660</u> |

| 1st January 2012 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|-------------------|----------------|----------------|-------------------|
| <u>Financial assets:</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 530,892 | \$ - | \$ - | \$ 530,892 |
| Available-for-sale financial assets | <u>12,655</u> | <u>-</u> | <u>-</u> | <u>12,655</u> |
| Total | <u>\$ 543,547</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 543,547</u> |

- B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and debt instruments classified as financial assets/financial liabilities at fair value through profit or loss or available-for-sale financial assets.
- C. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- D. If one or more of the significant inputs is not based on observable market data, the instrument

is included in level 3.

E. Specific valuation techniques used to value financial instruments include:

- (a) Quoted market prices or dealer quotes for similar instruments.
- (b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- (c) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others:

| Number | Endorser/ guarantor | Party being endorsed/guaranteed | | Limit on endorsements/ guarantees provided for a single party (Note) | Maximum outstanding endorsement/ guarantee amount as of 31st December 2013 | Outstanding endorsement/ guarantee amount at 31st December 2013 | Actual amount drawn down | Amount of endorsements/ guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company | Ceiling on total amount of endorsements/ guarantees provided (Note) | Provision of endorsements/ guarantees by parent company to subsidiary | Provision of endorsements/ guarantees by subsidiary to parent company | Provision of endorsements/ guarantees to the party in Mainland China | Note |
|--------|---|---|--|---|--|--|--------------------------------|--|--|---|--|--|---|------|
| | | Company name | Relationship with the endorser/ guarantor | | | | | | | | | | | |
| 0 | Giga-Byte Technology Co., Ltd. | G-Style Co., Ltd. | Subsidiaries | \$ 6,551,605 | \$ 500,000 | \$ - | \$ 500,000 | \$ - | 2.29 | \$ 6,551,605 | Y | N | N | |
| 1 | Ningbo Zhongjia Technology Co., Ltd. | Ningbo Giga- Byte Technology Co., Ltd. | Associates | 101,556 | 3,919 | 3,958 | 3,958 | - | 0.59 | 134,656 | N | N | Y | |

Note: The Company's new ceiling of total outstanding guarantees is 30% of the Company's net value. The ceiling for single party (except the Company's 100% owned subsidiary) is 20% of net value, and should not exceed 50% of the Company's capital.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures):

| | | | | | As of 31st December 2013 | | | | | |
|--------------------------------|---------------------------------------|--|---|---|--------------------------|------------|-------------------|------------|-------------------|--|
| Securities held by | Marketable securities | | Relationship with the securities issuer | General ledger account | Number of shares | Book value | Ownership(%) | Fair value | Note | |
| Giga-Byte Technology Co., Ltd. | Beneficiary certificates - | Taishin Lucky Money Market Fund | None | Financial assets at fair value through profit or loss-current | 18,612,616 | \$ 200,000 | - | \$ 202,477 | | |
| | | Manulife Asia Pacific Bond Fund-A | " | " | 9,008,441 | 100,000 | - | 100,591 | | |
| | | Manulife China Offshore Bond Fund-A | " | " | 4,797,221 | 50,000 | - | 51,035 | | |
| | | CTBC Global Emerging Markets Strategic Bond Fund-A | " | " | 1,000,000 | 10,000 | - | 10,001 | | |
| | Beneficiary certificates - | Morgan Stanley Money Market Fund | " | " | - | 543 | - | 357 | | |
| | | Morgan Stanley Opportunistic Mortgage Income Fund LP | " | " | 515,710 | 14,818 | - | 15,446 | | |
| | | Manulife Global Fund-US Bond AA | " | " | 5,617,424 | 200,000 | - | 201,503 | | |
| | Corporate bonds - | Edmond de Rothschild Europe Convertibles | " | " | 4,325 | 100,000 | - | 99,932 | | |
| | | AXA SA 5.5% | " | " | 950,000 | 28,041 | - | 27,101 | | |
| | | Sinopec Capital 2013 Ltd 3.125% | " | " | 750,000 | 22,261 | - | 20,111 | | |
| | | Rabobank Sub Deb 4.625% | " | " | 780,000 | 23,265 | - | 23,525 | | |
| | | | | | | | 748,928 | | <u>\$ 752,079</u> | |
| | | | | | | | 3,151 | | | |
| | Gain on valuation of financial assets | | | | | | <u>\$ 752,079</u> | | | |

As of 31st December 2013

| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | Number of shares | Book value | Ownership(%) | Fair value | Note | | |
|--------------------------------|------------------------------------|---|--|------------------|---|---------------------------------------|--------------|------------|--------------|--|
| Giga-Byte Technology Co., Ltd. | Mustardgiga Corp. | None | Available-for-sale financial assets - non-current | 4,500 | \$ 1,222 | - | \$ - | | | |
| | | | Accumulated impairment | | (1,222) | | | | | |
| | | | | | \$ - | | | | | |
| | | | Chinatrust Commercial Bank Senior-Unsecured Financial Bonds 2013 Phase I | " | Held-to-maturity financial assets - non-current | | \$ 148,410 | - | \$ 148,410 | |
| | | | TWD 3 year callable spread leverage investment contract | " | Other financial assets - non-current | | \$ 1,170,000 | - | \$ 1,170,136 | |
| | | " | " | | 700,000 | - | 694,813 | | | |
| | | | | | \$ 1,870,000 | | \$ 1,864,949 | | | |
| | Prudential Plc 5.25% | " | Investments in bonds without active markets - non-current | | \$ 19,662 | - | None | | | |
| Chi-Ga Investments Corp. | Walsin Technology Corporation | None | Financial assets at fair value through profit or loss-current | 9,389,770 | \$ 198,644 | 1.36% | \$ 75,118 | | | |
| | | | FSITC Taiwan Bond Fund | " | " | 1,366,537 | 17,812 | - | 20,408 | |
| | | | Yuanta Wan Tai Money Market Fund | " | " | 5,390,918 | 79,483 | - | 79,830 | |
| | | | ING Taiwan Money Market Fund | " | " | 7,945,356 | 126,239 | - | 126,656 | |
| | | | Manulife Asia Pacific Bond Fund-A | " | " | 1,331,876 | 14,818 | - | 14,872 | |
| | | | | | | | 436,996 | | \$ 316,884 | |
| | | | | | | Loss on valuation of financial assets | | (120,112) | | |
| | | | | | \$ 316,884 | | | | | |
| | Info-Tek Corp. | None | Available-for-sale financial assets-current | 9,406,586 | \$ 106,165 | 8.10% | \$ 83,610 | | | |
| | | | Valuation adjustment | | 35,072 | | | | | |
| | | | Accumulated impairment | | (57,627) | | | | | |
| | | | | | \$ 83,610 | | | | | |
| | Hui Yang Venture Capital Co., Ltd. | " | Available-for-sale financial assets - non-current | 10,500,000 | \$ 105,000 | 10.99% | \$ 186,797 | | | |
| | Heimavista etc. | None | None | None | 11,520 | 0.11%~ 10.20% | 15,539 | | | |
| | | | | | 116,520 | | \$ 202,336 | | | |
| | | | Valuation adjustment | | 89,490 | | | | | |
| | | | Accumulated impairment | | (3,674) | | | | | |
| | | | | | \$ 202,336 | | | | | |

| As of 31st December 2013 | | | | | | | | | |
|--|---|---|---|------------------|---------------------------------------|--------------|--------------------------|------|---------------------|
| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | Number of shares | Book value | Ownership(%) | Fair value | Note | |
| Giga-Trend International Investment Group Ltd. | Eastspring Investments Well Pool Money Market Fund etc. | None | Financial assets at fair value through profit or loss-current | - | \$ 170,805 | - | \$ 173,914 | | |
| | | | Gain on valuation of financial assets | | 3,109 | | | | |
| | | | | | <u>\$ 173,914</u> | | | | |
| | Innodisk Corporation etc. | " | Available-for-sale financial assets - non-current | - | \$ 214,724 | - | \$ 231,924 | | |
| | | | Valuation adjustment | | 17,200 | | | | |
| | | | | | <u>\$ 231,924</u> | | | | |
| | Eversol Corporation etc. | " | Available-for-sale financial assets - non-current | - | \$ 66,790 | - | \$ 55,090 | | |
| | | | Accumulated impairment | | (11,700) | | | | |
| | | | | | <u>\$ 55,090</u> | | | | |
| Gigatrend Technology Co., Ltd. | FSITC Bond Fund | " | Financial assets at fair value through profit or loss-current | 551,580 | \$ 94,001 | - | \$ 96,146 | | |
| | | | FSITC Taiwan Money Market Fund | " | " | 6,620,799 | 97,000 | - | 98,877 |
| | | | | | Gain on valuation of financial assets | | 4,022 | | <u>\$ 195,023</u> |
| | | | | | <u>\$ 195,023</u> | | | | |
| Freedom International Group Ltd. | Wells Fargo & Co. 5.375% | " | Financial assets at fair value through profit or loss-current | 7,000 | USD 712 thousand | - | USD 717 thousand | | |
| | | | Rabobank Sub Deb 4.625% | " | " | 5,000 | USD 502 thousand | - | USD 503 thousand |
| | | | | | Gain on valuation of financial assets | | USD1,214 thousand | | |
| | | | | | USD 6 thousand | | <u>USD1,220 thousand</u> | | |
| Giga Future Limited | Prudential Plc 5.25% | " | Financial assets at fair value through profit or loss-current | 7,800 | USD 768 thousand | - | USD 743 thousand | | |
| | | | Goldman Sachs Group Inc. 6.45% | " | " | 6,900 | USD 736 thousand | - | USD 738 thousand |
| | | | | | Loss on valuation of financial assets | | USD1,504 thousand | | |
| | | | | | (USD 23 thousand) | | <u>USD1,481 thousand</u> | | |
| G-Style Co., Ltd. | JM Material Technology Inc. | None | Available-for-sale financial assets - non-current | 160,000 | \$ 20,000 | 12.20% | \$ 20,000 | | |
| | | | Ningbo Zhongjia Technology Co., Ltd. | " | Other financial assets-current | - | RMB553,000 thousand | - | RMB553,000 thousand |
| | | | | | Ningbo Giga-Byte Technology Co., Ltd. | " | " | - | RMB 20,000 thousand |

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital:

| Investor | Marketable securities | General ledger account | Counterparty | Relationship with the investor | Balance as at 1st January 2013 | | Addition | | Disposal | | | Balance as at 31st December 2013 | | Note | |
|--------------------------------------|---|--|--------------|--------------------------------|--------------------------------|------------|------------------|-----------------------|------------------|---------------------|---------------------|----------------------------------|------------------|---------------------|--------|
| | | | | | Number of shares | Amount | Number of shares | Amount | Number of shares | Selling price | Book value | Gain (loss) on disposal | Number of shares | | Amount |
| Giga-Byte Technology Co., Ltd. | TWD 3 year callable range accrual investment contract | Other financial assets - non-current | None | None | - | \$ 700,000 | | \$ 700,000 | - | \$ 700,000 | \$ 700,000 | \$ - | - | \$ 700,000 | |
| | G-Style Co., Ltd. | Long-term equity investments accounted for under equity method | " | A wholly-owned subsidiary | 60,000,000 | 108,744 | 50,000,000 | 370,594 | 49,000,000 | - | - | - | 61,000,000 | 479,338 | |
| | | | | | | | | (Note 1) | (Note 2) | | | | | | |
| | Freedom International Group Ltd. | " | " | " | 136,477,226 | 4,825,867 | 2,894,466 | 651,121 | - | - | - | - | 139,371,692 | 5,476,988 | |
| | | | | | | | | (Note 1) | | | | | | | |
| Ningbo Zhongjia Technology Co., Ltd. | Citibank China - callable RMB wealth investment | Other financial assets-current | None | None | - | - | - | RMB391,000 thousand | - | RMB391,000 thousand | RMB391,000 thousand | - | - | - | |
| | China Construction Bank Qianyuan Capital Guarantee RMB wealth investment products | " | " | " | - | - | - | RMB1,440,000 thousand | - | RMB887,000 thousand | RMB887,000 thousand | - | - | RMB553,000 thousand | |

Note 1: Includes share of profit or loss of subsidiaries and associates accounted for under equity method and cumulative translation adjustments.

Note 2: Covering accumulated deficit through capital reduction.

E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more:

| Purchaser/seller | Counterparty | Relationship with the counterparty | Transaction | | | Differences in transaction terms compared to third party transactions | | | Notes/accounts receivable (payable) | | Note |
|--|--|-------------------------------------|-------------------|-----------------------|---------------------------------------|---|---|-------------|-------------------------------------|---|------|
| | | | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts Purchaser/seller Counterparty receivable (payable) | |
| Giga-Byte Technology Co., Ltd. | Giga-Byte Tecnology B.V. | A wholly-owned subsidiary | (Sales) | \$ 12,496,979 | 27% | 30 days after receipt of goods | The price was based on the contract price | Normal | \$ 1,631,274 | 33% | |
| | Giga Advance (Labuan) Limited | " | " | 11,288,083 | 24% | 14 days after receipt of goods | " | " | 43,940 | 1% | |
| | G.B.T. Inc. | " | " | 5,189,089 | 11% | 75 days after receipt of goods | " | " | 1,058,568 | 23% | |
| | G.B.T. LBN Inc. | An indirect wholly-owned subsidiary | " | 1,411,130 | 3% | 30 days after receipt of goods | " | " | 12,562 | - | |
| | G.B.T. LBN Inc. | " | Processing cost | 1,277,876 | 52% | 45 days after billing | " | " | (9,226) | - | |
| | G.B.T. LBN Inc. | " | Purchases | 255,342 | 1% | 45 days after billing | " | " | (43,702) | (1%) | |
| | Gigabyte Trading Inc. | " | (Sales) | 210,361 | 1% | 180 days after receipt of goods | " | " | 46,946 | 1% | |
| G-Style Co., Ltd. | A wholly-owned subsidiary | " | 604,844 | 1% | 90 days after billing | " | " | 129,440 | 3% | | |
| Giga-Byte Technology B.V. | Giga-Byte Technology Co., Ltd. | A wholly-owned subsidiary | Purchases | USD 427,721 thousand | 100% | 30 days after billing | The price was based on the contract price | Normal | (USD 75,506 thousand) | 95% | |
| G.B.T. Inc. | Giga-Byte Technology Co., Ltd. | A wholly-owned subsidiary | Purchases | USD 179,305 thousand | 74% | 30 days after receipt of goods | The price was based on the contract price | Normal | (USD 52,523 thousand) | 98% | |
| Giga Advance (Labuan) Limited | Giga-Byte Technology Co., Ltd. | A wholly-owned subsidiary | Purchases | USD 395,050 thousand | 100% | 14 days after receipt of goods | The price was based on the contract price | Normal | (USD 32,059 thousand) | 99% | |
| G-Style Co., Ltd. | Giga-Byte Technology Co., Ltd. | A wholly-owned subsidiary | Purchases | \$ 528,360 | 48% | 90 days after billing | The price was based on the contract price | Normal | (\$ 126,502) | 60% | |
| Giga-Byte Communication Inc. | Giga-Byte Tecnology B.V. | Associates | (Sales) | \$ 123,875 thousand | 12% | 90 days after billing | The price was based on the contract price | Normal | - | - | |
| Giga Advance (Labuan) Limited | Ningbo Zhongjia Technology Co., Ltd. | Associates | (Sales) | USD 394,012 thousand | 99% | 14 days after receipt of goods | The price was based on the contract price | Normal | USD 111,011 thousand | 99% | |
| G.B.T. LBN Inc. | Ningbo Giga-Byte Technology Co., Ltd. | Associates | Purchases | USD 24,916 thousand | 25% | 60 days after billing | The price was based on the contract price | Normal | (USD 6,701 thousand) | 50% | |
| | Dongguan Giga-Byte Electronics Co., Ltd. | " | " | USD 26,504 thousand | 26% | 60 days after billing | " | " | (USD 2,413 thousand) | 18% | |
| | Ningbo Zhongjia Technology Co., Ltd. | " | (Sales) | USD 47,790 thousand | 48% | 60 days after billing | " | " | USD 4,034 thousand | 26% | |
| | Giga-Byte Technology Co., Ltd. | A wholly-owned subsidiary | " | USD 8,537 thousand | 8% | 60 days after billing | " | " | USD 4,179 thousand | 27% | |
| Ningbo Zhongjia Technology Co., Ltd. | Giga Advance (Labuan) Limited | Associates | Purchases | RMB2,446,776 thousand | 88% | 14 days after receipt of goods | The price was based on the contract price | Normal | (RMB 667,710 thousand) | 95% | |
| Ningbo Giga-Byte Technology Co., Ltd. | G.B.T. LBN Inc. | Associates | (Sales) | RMB 153,257 thousand | 94% | 60 days after billing | The price was based on the contract price | Normal | RMB 40,569 thousand | 100% | |
| Dongguan Giga-Byte Electronics Co., Ltd. | G.B.T. LBN Inc. | Associates | (Sales) | RMB 160,719 thousand | 100% | 60 days after billing | The price was based on the contract price | Normal | RMB 14,610 thousand | 100% | |

Note: The balance is not adjusted in accordance with the rules prescribed in the Tai-Tsai-Tseng (Chi) Letter No. 01644 issued by the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more:

| Creditor | Counterparty | Relationship with the counterparty | Balance as at 31st December 2013 | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|---------------------------------------|------------------------------------|---------------------------------------|-------------------------------------|---------------|---------------------|-----------------|---|---------------------------------------|
| | | | | | Amount | Action taken | | |
| Giga-Byte Technology Co., Ltd. | Giga-Byte Technology B.V. | A wholly-owned subsidiary | \$ 1,631,274 | 8.58 | \$ - | - | \$ 1,631,274 | \$ - |
| | G.B.T. Inc. | A wholly-owned subsidiary | 1,058,568 | 5.06 | - | - | 1,027,523 | - |
| | G-Style Co., Ltd. | A wholly-owned subsidiary | 129,440 | 5.87 | - | - | 129,440 | - |
| Giga Advance (Labuan) Limited | Ningbo Zhongjia Technology Co., Lt | Associates | USD111,011 thousand | 5.41 | - | - | USD 70,156 thousand | - |
| Ningbo Giga-Byte Technology Co., Ltd. | G.B.T. LBN Inc. | " | RMB 40,569 thousand | 6.00 | - | - | RMB 40,569 thousand | - |
| G.B.T. LBN Inc. | Giga-Byte Technology Co., Ltd. | A wholly-owned subsidiary | USD 4,179 thousand | 3.87 | - | - | USD 1,002 thousand | - |

Note: The balance is not adjusted in accordance with the rules prescribed in the Tai-Tsai-Tseng (Chi) Letter No. 01644 issued by the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan.

I. Derivative financial instruments undertaken during the year ended 31st December 2013: None.

(2) Information on investees (not including investees in Mainland China)

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at 31st December 2013 | | | Net profit (loss) of the investee for the year ended 31st December 2013 | Investment income (loss) recognised by the Company for the year ended 31st December 2013 | Note |
|----------------------------------|--|------------------------|---|----------------------------------|----------------------------------|--------------------------------------|---------------|--------------|---|--|-----------------------------------|
| | | | | Balance as at 31st December 2013 | Balance as at 31st December 2012 | Number of shares | Ownership (%) | Book value | | | |
| Giga-Byte Technology Co., Ltd. | Freedom International Group Ltd. | British Virgin Islands | Holding company | \$ 4,517,105 | \$ 4,431,221 | 139,371,692 | 100.00 | \$ 5,476,988 | \$ 266,582 | \$ 266,582 | The Company's subsidiary |
| Giga-Byte Technology Co., Ltd. | Chi-Ga Investments Corp. | Taiwan | Holding company | 1,775,000 | 1,775,000 | 177,500,000 | 100.00 | 1,826,113 | 5,733 | 5,343 | The Company's subsidiary |
| Giga-Byte Technology Co., Ltd. | G-Style Co., Ltd. | Taiwan | Manufacturing and selling of notebooks | 610,000 | 600,000 | 61,000,000 | 100.00 | 479,338 | (129,406) | (129,406) | The Company's subsidiary |
| Giga-Byte Technology Co., Ltd. | Giga-Byte Communication Inc. | Taiwan | Manufacturing and selling of communications | 345,782 | 345,782 | 34,578,228 | 99.12 | 202,591 | 15,052 | 17,057 | The Company's subsidiary |
| Giga-Byte Technology Co., Ltd. | Giga-Zone International Co., Ltd. | Taiwan | Selling of PC peripherals | 54,965 | 54,965 | 9,142,702 | 100.00 | 41,476 | (30,244) | (33,014) | The Company's subsidiary |
| Giga-Byte Technology Co., Ltd. | Giga-Byte Technology B.V. | Netherlands | Selling of motherboards | 25,984 | 25,984 | 8,500 | 100.00 | 19,396 | (2,061) | (2,061) | The Company's subsidiary |
| Giga-Byte Technology Co., Ltd. | GBT Tech. Co. Ltd | UK | Selling of motherboards | 47,488 | 47,488 | 800,000 | 100.00 | 6,741 | 837 | 716 | The Company's subsidiary |
| Giga-Byte Technology Co., Ltd. | Nippon Giga-Byte Corp. | Japan | Selling of motherboards | 3,495 | 3,495 | 1,000 | 100.00 | 2,548 | (322) | (322) | The Company's subsidiary |
| Giga-Byte Technology Co., Ltd. | Giga Advance (Labuan)Limited | Malaysia | Selling of motherboards | 328 | 328 | 10,000 | 100.00 | 4,848 | (8,037) | (8,037) | The Company's subsidiary |
| Giga-Byte Technology Co., Ltd. | G.B.T. Technology Trading GmbH | Germany | Selling of motherboards | 24,614 | 24,614 | - | 100.00 | 48,692 | 4,531 | 5,565 | The Company's subsidiary |
| Giga-Byte Technology Co., Ltd. | Gigabyte Technology Pty. Ltd. | AUS | Selling of motherboards | 9,346 | 9,346 | 400,000 | 100.00 | 14,268 | 638 | 249 | The Company's subsidiary |
| Giga-Byte Technology Co., Ltd. | Gigabyte Technology (India) Private Limited | India | Selling of motherboards | 182,868 | 182,868 | 4,600,000 | 100.00 | 9,481 | 5,122 | 5,122 | The Company's subsidiary |
| Giga-Byte Technology Co., Ltd. | Gigabyte Global Business Corporation | U.S.A. | ODM Business | 322 | 322 | 1,000 | 100.00 | 299 | - | - | The Company's subsidiary |
| Giga-Byte Technology Co., Ltd. | Gigabyte Technology ESPANA S.L.U. | Spain | Repairing of motherboards | 241 | 241 | 5,000 | 100.00 | 2,424 | 1,662 | 1,662 | The Company's subsidiary |
| Giga-Byte Technology Co., Ltd. | G.B.T. Inc. | U.S.A. | Selling of motherboards | 16,701 | 16,701 | 10,000 | 48.63 | (69,198) | 7,134 | 3,469 | The Company's indirect subsidiary |
| Giga-Byte Technology Co., Ltd. | Axper International (Labuan) Inc. | Malaysia | Holding company | - | 33,707 | - | - | - | (96) | (2,541) | The Company's subsidiary |
| Giga-Byte Technology Co., Ltd. | Gigabyte Information Technology Commerce Limited Company | Turkey | Repairing of motherboards | 3,541 | 3,541 | 8,000 | 100.00 | 4,694 | 1,056 | 810 | The Company's subsidiary |
| Giga-Byte Technology Co., Ltd. | Gigabyte Technology LLC | South Korea | Selling of motherboards | 22,534 | 22,534 | 168,000 | 100.00 | 32,004 | 2,290 | 2,290 | The Company's subsidiary |
| Giga-Byte Technology B.V. | Gigabyte Technology France | France | Selling of motherboards | 6,200 | 6,200 | 200,000 | 100.00 | 16,884 | 1,179 | - | The Company's indirect subsidiary |
| G.B.T. Technology Trading GmbH | Gigabyte Technology Poland SP Z O.O. | Poland | Repairing of motherboards | 500 | 500 | 100 | 100.00 | 1,350 | 194 | - | The Company's indirect subsidiary |
| Freedom International Group Ltd. | Charleston Investments Limited | Cayman Islands | Holding company | 1,744,344 | 1,741,562 | 53,732,142 | 100.00 | 2,608,825 | 259,110 | - | The Company's indirect subsidiary |

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at 31st December 2013 | | | Net profit (loss) of the investee for the year ended 31st December 2013 | Investment income (loss) recognised by the Company for the year ended 31st December 2013 | Note |
|-----------------------------------|--|------------------------|---|----------------------------------|----------------------------------|--------------------------------------|---------------|------------|---|--|---|
| | | | | Balance as at 31st December 2013 | Balance as at 31st December 2012 | Number of shares | Ownership (%) | Book value | | | |
| Freedom International Group Ltd. | G.B.T. LBN Inc. | Malaysia | Selling of PC peripherals | - | - | - | 100.00 | (101,571) | (24,649) | - | The Company's indirect subsidiary |
| Freedom International Group Ltd. | G.B.T. Inc. | U.S.A. | Selling of PC peripherals | 31,326 | 31,326 | 10,564 | 51.37 | (73,097) | 7,134 | - | The Company's indirect subsidiary |
| Freedom International Group Ltd. | Gigabyte Trading Inc. | U.S.A. | ODM Business | 1,623 | 325 | 50,000 | 100.00 | 1,989 | 489 | - | The Company's indirect subsidiary |
| Freedom International Group Ltd. | Giga Future Limited | British Virgin Islands | Holding company | 2,689,068 | 2,689,068 | 82,819,550 | 100.00 | 2,766,271 | 24,544 | - | The Company's indirect subsidiary |
| Freedom International Group Ltd. | Gigabyte Singapore Pte. Ltd. | Singapore | Selling of PC peripherals | 60,757 | 60,757 | 3,073,000 | 100.00 | 32,698 | (23) | - | The Company's indirect subsidiary |
| Freedom International Group Ltd. | Cloud Ride Limited | British Virgin Islands | Holding company | 99,336 | - | 3,300,000 | 100.00 | 98,721 | (113) | - | The Company's indirect subsidiary |
| Chi-Ga Investments Corp. | Gigatrend Technology Co., Ltd. | Taiwan | Manufacturing and selling of semiconductor components | 175,000 | 175,000 | 17,500,000 | 100.00 | 196,290 | 787 | - | The Company's indirect subsidiary |
| Chi-Ga Investments Corp. | Giga-Trend International Investment Group Ltd. | Taiwan | Holding company | 600,000 | 600,000 | 60,000,000 | 100.00 | 656,749 | 25,991 | - | The Company's indirect subsidiary |
| Chi-Ga Investments Corp. | Giga-Trend International Management Group Ltd. | Taiwan | Venture capital management and consulting company | 6,000 | 6,000 | 600,000 | 60.00 | 16,542 | 5,914 | - | The Company's indirect subsidiary |
| Chi-Ga Investments Corp. | Giga Win International Venture Investment Group Ltd. | Taiwan | Venture capital management and consulting company | 132,000 | 220,000 | 13,200,000 | 40.00 | 97,401 | (38,958) | - | Subsidiary's investee company accounted for under the equity method |
| Chi-Ga Investments Corp. | Senyun Precise Optical Co.,Ltd | Taiwan | Manufacture and sale of optical lens | 207,000 | - | 20,700,000 | 49.87 | 208,883 | 3,775 | - | Subsidiary's investee company accounted for under the equity |
| Chi-Ga Investments Corp. | Gigazone Holdings Limited | British Virgin Islands | Holding company | 150,557 | - | 25,500 | 73.91 | 65,603 | (47,253) | - | The Company's indirect subsidiary |
| Giga-Byte Communication Inc. | Giga Win Limited | Mauritius | Selling of VGA Cards | 3,770 | 3,770 | 100,000 | 100.00 | 3,823 | 27 | - | The Company's indirect subsidiary |
| Giga-Zone International Co., Ltd. | Gigazone Holdings Limited | British Virgin Islands | Holding company | 53,204 | 53,204 | 9,000 | 26.09 | 24,478 | (47,253) | - | The Company's indirect subsidiary |

(3) Information on investments in Mainland China

A. Basic information:

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from | Amount remitted from Taiwan to | | Accumulated amount of remittance from Taiwan to Mainland | Net income of investee as of 31st December 2013 | Ownership held by the Company | Investment income (loss) recognised by the Company for the year | Book value of investment in Mainland China as of 31st | Accumulated amount of investment | Note |
|---|-------------------------------|-----------------|-------------------|---------------------------------------|--------------------------------|-------------------------|--|---|-------------------------------|---|---|----------------------------------|-----------------------------------|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| Dongguan Gigabyte Electronics Co., Ltd. | Manufacturing of motherboards | \$ 1,180,937 | (Note A) | \$ 1,178,155 | \$ 2,782 | - | \$ 1,180,937 | \$ 20,804 | 100 | \$ 20,804 | \$ 1,659,654 | \$ - | The Company's indirect subsidiary |
| Ningbo Giga-Byte Technology Co., Ltd. | Manufacturing of motherboards | 2,780,313 | (Note A) | 2,780,313 | - | - | 2,780,313 | 14,278 | 100 | 14,278 | 2,689,022 | - | The Company's indirect subsidiary |
| Ningbo Giga-Byte International Trade Co., Ltd. | Selling of motherboards | 259,752 | (Note A) | 259,752 | - | - | 259,752 | 239,912 | 100 | 239,912 | 864,583 | - | The Company's indirect subsidiary |
| Ningbo Best Yield Technology Services Co., Ltd. | Repairing of motherboards | 64,938 | (Note A) | 64,938 | - | - | 64,938 | 2,676 | 100 | 2,676 | 62,632 | - | The Company's indirect subsidiary |
| Ningbo Zhongjia Technology Co., Ltd. | Selling of motherboards | 109,838 | (Note B) | - | - | - | - | 247,765 | 100 | 247,765 | 673,299 | - | The Company's indirect subsidiary |
| Gigazone International (Shenzhen) | Selling of PC peripherals | 203,761 | (Note A) | 53,204 | 150,557 | - | 203,761 | (47,270) | 100 | (47,270) | 91,714 | - | The Company's indirect subsidiary |

Note A: Invested by Charleston Investments Limited and Giga Future Limited., which are subsidiaries of Freedom International Group Ltd.

Note B: Invested by Ningbo Giga-Byte International Trade CO., Ltd., which is a subsidiary of Charleston Investment Ltd.

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of 31st December 2013 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note) |
|-----------------------------------|---|--|--|
| Giga-Byte Technology Co., Ltd. | \$ 4,285,940 | \$ 4,285,940 | \$ 13,109,821 |
| Giga-Zone International Co., Ltd. | 53,204 | 53,204 | 18,997 |
| Chi-Ga Investments Corp. | 150,557 | 150,557 | 1,054,499 |

Note: The initial investment amount of Giga-Zone International Co., Ltd. in GigaZone (Zhzun) Limited in 2010 was approved by the Investment Commission of the Ministry of Economic Affairs. The ceiling on investment for 2012 was reduced because of the reduction in net equity of Giga-Zone International Co., Ltd.

B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas.

| Investee in Mainland China | Sale (purchase) | | Property transaction | | Accounts receivable (payable) | | Provision of endorsements / guarantees or collaterals | | Financing | | | | Others |
|---|-----------------|----|----------------------|---|-------------------------------|----|---|---------|--|-------------------------------|---------------|---|-----------------------------------|
| | Amount | % | Amount | % | Amount | % | Balance at 31st December 2013 | Purpose | Maximum balance during the year ended 31st December 2013 | Balance at 31st December 2013 | Interest rate | Interest during the year ended 31st December 2013 | |
| Ningbo Giga-Byte Technology Co., Ltd. | \$ 9,037 | - | \$ - | - | \$ 13,344 | - | \$ - | - | \$ - | \$ - | - | - | Processing cost paid at \$623,351 |
| Ningbo Giga-Byte International Trade Co., Ltd. | 52,214 | - | - | - | 87 | - | - | - | - | - | - | - | |
| Ningbo Zhongjia Technology Co., Ltd. | 11,952,732 | 26 | - | - | 820,204 | 18 | - | - | - | - | - | - | |
| Dongguan Gigabyte Electronics Co., Ltd. | 1,470,350 | 3 | - | - | 100,649 | 2 | - | - | - | - | - | - | Processing cost paid at \$654,525 |
| Ningbo Best Yield Technology Services Co., Ltd. | 14,496 | - | - | - | 2,878 | - | - | - | - | - | - | - | |

14. SEGMENT INFORMATION

None.

15. INITIAL APPLICATION OF IFRSs

These unconsolidated financial statements are the first unconsolidated financial statements prepared by the Company in accordance with the IFRSs. The Company has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP unconsolidated financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions elected by the Company, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Company's financial position, financial performance and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

(1) Exemptions elected by the Company

A. Business combinations

The Company has elected not to apply the requirements in IFRS 3, 'Business Combinations', retrospectively to business combinations that occurred prior to the date of transition to IFRSs ("the transition date"). This exemption also applies to the Company's previous acquisitions of investments in associates.

B. Share-based payment transactions

The Company has elected not to apply the requirements in IFRS 2, 'Share-based Payment', retrospectively to equity instruments and liabilities that were vested and settled arising from share-based payment transactions prior to the transition date.

C. Employee benefits

The Company has elected to recognise all cumulative actuarial gains and losses relating to all employee benefit plans in 'retained earnings' at the transition date, and to disclose the information of present value of defined benefit obligation, fair value of plan assets, gain or loss on plan assets and experience adjustments under the requirements of paragraph 120A (P), IAS 19, 'Employee Benefits', based on their prospective amounts for financial periods from the transition date.

D. Cumulative translation differences

The Company has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date, and to deal with translation differences arising subsequent to the transition date in accordance with IAS 21, 'The Effects of Changes in Foreign Exchange Rates'.

E. Compound financial instruments

The Company has elected not to segregate between liability components and equity components of compound financial instruments whose liability components were no longer

outstanding at the transition date.

- (2) Except for hedge accounting to which exceptions to the retrospective application of IFRSs specified in IFRS 1 are not applied as they have no relation with the Company, other exceptions to the retrospective application are set out below:

A. Accounting estimates

Accounting estimates made under IFRSs on January 1, 2012 are consistent with those made under R.O.C. GAAP on that day.

B. Derecognition of financial assets and financial liabilities

The derecognition requirements in IAS 39, 'Financial Instruments: Recognition and Measurement' shall be applied prospectively to transactions occurring on or after January 1, 2004.

- (3) Requirement to reconcile from R.O.C. GAAP to IFRSs at the time of initial application

IFRS 1 requires that an entity should prepare reconciliations for equity, comprehensive income and cash flows for the comparative periods. Reconciliations for equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown below:

A. Reconciliation for equity on 1st January 2012:

| | R.O.C. GAAP | Effect of transition from R.O.C. GAAP to IFRSs | IFRSs | Remark |
|---|----------------------|---|----------------------|--------|
| <u>Current assets</u> | | | | |
| Cash and cash equivalents | \$ 6,561,706 | \$ - | \$ 6,561,706 | |
| Financial assets at fair value through profit or loss - current | 530,892 | - | 530,892 | |
| Notes receivable | 7,607 | - | 7,607 | |
| Accounts receivable | 1,767,901 | - | 1,767,901 | |
| Accounts receivable – related parties | 2,309,893 | - | 2,309,893 | |
| Other receivables | 276,436 | - | 276,436 | |
| Inventories | 6,081,332 | - | 6,081,332 | |
| Deferred income tax assets - current | 250,157 | (250,157) | - | (a) |
| Other current assets | 390,221 | - | 390,221 | |
| Total current assets | <u>18,176,145</u> | <u>(250,157)</u> | <u>17,925,988</u> | |
| <u>Non-current assets</u> | | | | |
| Available-for-sale financial assets - noncurrent | 12,655 | - | 12,655 | |
| Investments accounted for under equity method | 7,093,506 | (3,403) | 7,090,103 | (b)(f) |
| Property, plant and equipment | 2,096,951 | - | 2,096,951 | |
| Investment property - net | - | 258,119 | 258,119 | (c) |
| Rental assets | 258,119 | (258,119) | - | (c) |
| Intangible assets | 33,551 | - | 33,551 | |
| Deferred income tax assets | 35,169 | 250,157 | 285,326 | (a) |
| Other non-current assets | 1,172,843 | - | 1,172,843 | |
| Total non-current assets | <u>10,702,794</u> | <u>246,754</u> | <u>10,949,548</u> | |
| Total assets | <u>\$ 28,878,939</u> | <u>(\$ 3,403)</u> | <u>\$ 28,875,536</u> | |

| | <u>R.O.C. GAAP</u> | Effect of transition from R.O.C. <u>GAAP to IFRSs</u> | <u>IFRSs</u> | <u>Remark</u> |
|--|----------------------|--|----------------------|--------------------|
| <u>Current liabilities</u> | | | | |
| Notes payable | \$ 28,385 | \$ - | \$ 28,385 | |
| Accounts payable | 4,903,839 | - | 4,903,839 | |
| Accounts payable – related parties | 292,617 | - | 292,617 | |
| Other payables | 1,725,316 | 47,313 | 1,772,629 | (d) |
| Current income tax liabilities | 319,898 | - | 319,898 | |
| Provisions for liabilities - current | 440,940 | - | 440,940 | |
| Other current liabilities | <u>271,478</u> | <u>-</u> | <u>271,478</u> | |
| Total current liabilities | <u>7,982,473</u> | <u>47,313</u> | <u>8,029,786</u> | |
| <u>Non-current liabilities</u> | | | | |
| Deferred income tax liabilities | - | - | - | (a) |
| Other non-current liabilities | <u>177,494</u> | <u>140,294</u> | <u>317,788</u> | (e) |
| Total non-current liabilities | <u>177,494</u> | <u>140,294</u> | <u>317,788</u> | |
| Total Liabilities | <u>8,159,967</u> | <u>187,607</u> | <u>8,347,574</u> | |
| <u>Equity attributable to owners of the parent</u> | | | | |
| Share capital | | | | |
| Common shares | 6,383,064 | - | 6,383,064 | |
| Capital surplus | | | | |
| Paid-in capital in excess of par value of common share | 4,685,059 | - | 4,685,059 | |
| Capital surplus from long-term investments | 2,970 (| 2,970) | - | (f) |
| Retained earnings | | | | |
| Legal reserve | 2,637,871 | - | 2,637,871 | |
| Special reserve | - | 426,354 | 426,354 | (h) |
| Unappropriated retained earnings | 6,432,171 | - | 6,432,171 | (b)(d)(e)(f)(g)(h) |
| Other equity | | | | |
| Currency translation differences | 630,692 (| 630,692) | - | (f)(g) |
| Asset revaluation increment of investee company | 5,382 (| 5,382) | - | (f) |
| Unrealized gain (loss) on valuation of available-for-sale financial assets | 2,675 | 21,680 | 24,355 | (b) |
| Treasury share | <u>(60,912)</u> | <u>(</u> | <u>60,912)</u> | |
| Total equity | <u>20,718,972</u> | <u>(191,010)</u> | <u>20,527,962</u> | |
| Total liabilities and equity | <u>\$ 28,878,939</u> | <u>(\$ 3,403)</u> | <u>\$ 28,875,536</u> | |

B. Reconciliation for equity on 31st December 2012:

| | R.O.C. GAAP | Effect of transition from R.O.C. GAAP to IFRSs | IFRSs | Remark |
|---|----------------------|---|----------------------|--------|
| <u>Current assets</u> | | | | |
| Cash and cash equivalents | \$ 5,431,853 | \$ - | \$ 5,431,853 | |
| Financial assets at fair value through profit or loss - current | 554,660 | - | 554,660 | |
| Notes receivable | 6,811 | - | 6,811 | |
| Accounts receivable | 1,976,460 | - | 1,976,460 | |
| Accounts receivable – related parties | 2,807,049 | - | 2,807,049 | |
| Other receivables | 198,873 | - | 198,873 | |
| Inventories | 7,190,989 | - | 7,190,989 | |
| Deferred income tax assets - current | 202,983 | (202,983) | - | (a) |
| Other current assets | <u>776,843</u> | <u>-</u> | <u>776,843</u> | |
| Total current assets | <u>19,146,521</u> | <u>(202,983)</u> | <u>18,943,538</u> | |
| <u>Non-current assets</u> | | | | |
| Investments in bonds without active markets - noncurrent | 49,264 | - | 49,264 | |
| Investments accounted for under equity method | 7,077,886 | (7,774) | 7,070,112 | (b)(f) |
| Property, plant and equipment | 2,175,990 | - | 2,175,990 | |
| Investment property - net | - | 137,586 | 137,586 | (c) |
| Rental assets | 137,586 | (137,586) | - | (c) |
| Intangible assets | 53,716 | - | 53,716 | |
| Deferred income tax assets | 32,347 | 209,286 | 241,633 | (a) |
| Other non-current assets | <u>1,020,225</u> | <u>-</u> | <u>1,020,225</u> | |
| Total non-current assets | <u>10,547,014</u> | <u>201,512</u> | <u>10,748,526</u> | |
| Total assets | <u>\$ 29,693,535</u> | <u>(\$ 1,471)</u> | <u>\$ 29,692,064</u> | |

| | <u>R.O.C. GAAP</u> | Effect of transition from R.O.C. <u>GAAP to IFRSs</u> | <u>IFRSs</u> | <u>Remark</u> |
|--|----------------------|--|----------------------|--------------------|
| <u>Current liabilities</u> | | | | |
| Notes payable | \$ 20,680 | \$ - | \$ 20,680 | |
| Accounts payable | 6,100,023 | - | 6,100,023 | |
| Accounts payable – related parties | 326,566 | - | 326,566 | |
| Other payables | 1,659,082 | 51,117 | 1,710,199 | (d) |
| Current income tax liabilities | 17,099 | - | 17,099 | |
| Provisions for liabilities - current | 442,611 | - | 442,611 | |
| Other current liabilities | <u>373,013</u> | <u>-</u> | <u>373,013</u> | |
| Total current liabilities | <u>8,939,074</u> | <u>51,117</u> | <u>8,990,191</u> | |
| <u>Non-current liabilities</u> | | | | |
| Deferred income tax liabilities | - | 6,303 | 6,303 | (a) |
| Other non-current liabilities | <u>168,000</u> | <u>227,793</u> | <u>395,793</u> | (e) |
| Total non-current liabilities | <u>168,000</u> | <u>234,096</u> | <u>402,096</u> | |
| Total Liabilities | <u>9,107,074</u> | <u>285,213</u> | <u>9,392,287</u> | |
| <u>Equity attributable to owners of the parent</u> | | | | |
| Share capital | | | | |
| Common shares | 6,258,914 | - | 6,258,914 | |
| Capital surplus | | | | |
| Paid-in capital in excess of par value of common share | 4,585,372 | - | 4,585,372 | |
| Capital surplus from long-term investments | 2,970 | (2,970) | - | (f) |
| Retained earnings | | | | |
| Legal reserve | 2,794,790 | - | 2,794,790 | |
| Special reserve | - | 426,354 | 426,354 | (h) |
| Unappropriated retained earnings | 6,477,737 | (95,566) | 6,382,171 | (b)(d)(e)(f)(g)(h) |
| Other equity | | | | |
| Currency translation differences | 471,762 | (630,692) | (158,930) | (f)(g) |
| Asset revaluation increment of investee company | 5,382 | (5,382) | - | (f) |
| Unrealized gain (loss) on valuation of available-for-sale financial assets | (10,466) | 21,572 | 11,106 | (b) |
| Total equity | <u>20,586,461</u> | <u>(286,684)</u> | <u>20,299,777</u> | |
| Total liabilities and equity | <u>\$ 29,693,535</u> | <u>(\$ 1,471)</u> | <u>\$ 29,692,064</u> | |

C. Reconciliation for comprehensive income for the year ended 31st December 2012:

| | R.O.C. GAAP | Effect of transition from R.O.C. GAAP to IFRSs | IFRSs | Remark |
|---|---------------|---|---------------|--------|
| Operating revenue | \$ 42,142,326 | \$ - | \$ 42,142,326 | |
| Operating costs | (35,816,708) | 809 | (35,815,899) | (d)(e) |
| Gross profit | 6,325,618 | 809 | 6,326,427 | |
| Operating expenses | | | | |
| Selling expenses | (2,212,223) | (161) | (2,212,384) | (d)(e) |
| General & administrative expenses | (1,019,653) | (95) | (1,019,748) | (d)(e) |
| Research and development expense | (1,647,512) | (154) | (1,647,666) | (d)(e) |
| Total operating expenses | (4,879,388) | (410) | (4,879,798) | |
| Operating profit | 1,446,230 | 399 | 1,446,629 | |
| Non-operating revenue and expenses | | | | |
| Other income | 292,464 | - | 292,464 | |
| Other gains and losses | 14,162 | - | 14,162 | |
| Finance costs | (342) | - | (342) | |
| Share of (loss)/profit of subsidiaries, associates and joint ventures accounted for under equity method | (79,102) | (4,262) | (83,364) | (b)(d) |
| Profit before income tax | 1,673,412 | (3,863) | 1,669,549 | |
| Income tax expense | (120,842) | - | (120,842) | |
| Profit for the year | 1,552,570 | (3,863) | 1,548,707 | |
| Other comprehensive income | | | | |
| Currency translation differences | - | (158,930) | (158,930) | |
| Unrealised gain (loss) on valuation of available-for-sale financial assets | - | (15,483) | (15,483) | |
| Actuarial gain (loss) on defined benefit plan | - | (91,703) | (91,703) | |
| Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method | - | 2,234 | 2,234 | |
| Total comprehensive income for the year | \$ 1,552,570 | (\$ 267,745) | \$ 1,284,825 | |

Reasons for reconciliation are outlined below:

(a) Income taxes

In accordance with R.O.C. GAAP, a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, under IAS 12, 'Income Taxes', an entity should not classify a deferred tax asset or liability as current. Furthermore, under the current tax regulations, current income tax assets and liabilities do not possess a legally enforceable right to offset each other, so the deferred tax asset and liabilities may not offset each other. Therefore, the Company increased deferred income tax assets-noncurrent by \$250,157 and decreased deferred income tax assets-current by \$250,157 at the transition date.

Additionally, the Company increased deferred income tax assets-noncurrent and deferred income tax liabilities-noncurrent by \$209,286 and \$6,303, respectively, and decreased deferred income tax assets-current by \$202,983 on 31st December 2012.

(b) Financial assets measured at cost (Available-for-sale financial assets)

In accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” before amendment on 7th July 2011, unlisted stocks held by the Company’s subsidiary were measured at cost and recognized as ‘Financial assets measured at cost’. However, in accordance with IAS 39, ‘Financial Instruments: Recognition and Measurement’, investments in equity instruments without an active market but with reliable fair value measurement (i.e. the variability in the range of reasonable fair value estimates is insignificant for that instrument, or the probabilities of the estimates within the range can be reasonably assessed and used in estimating fair value) should be measured at fair value. Therefore, in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” amended on 22nd December 2011, the Company's subsidiary designated such financial assets measured at cost as ‘Available-for-sale financial assets’ at the transition date, and increased unrealized gain or loss on financial instruments and investments accounted for under equity method both by \$21,680, which was the difference between the fair value and the carrying amount, and because impairment loss had been recognized for certain financial assets in prior years, and their fair value continued to decrease at the transition date, the Company's subsidiary decreased retained earnings and investments accounted for under equity method both by \$1,534, which was the difference between the fair value and the carrying amount.

Additionally, the Company increased investments accounted for under equity method by \$19,323 and unrealized gain or loss on financial instruments by \$21,572, respectively; decreased retained earnings by \$1,534 and increased share of loss of subsidiaries accounted for under equity method by \$715 for the year ended 31st December 2012.

(c) Investment property

In accordance with R.O.C. GAAP, the Company’s property that is leased to others is presented in ‘Other assets’ account. In accordance with IAS 40, ‘Investment Property’, property that meets the definition of investment property is classified and accounted for as ‘Investment property’. Therefore, the Company increased investment property by \$258,119 and decreased rental assets by \$258,119 at the transition date.

Additionally, the Company increased investment property by \$137,586 and decreased rental assets by \$137,586 on 31st December 2012.

(d) Employee benefits

R.O.C. GAAP does not specify the rules on the cost recognition for accumulated unused compensated absences. The Company recognizes such costs as expenses upon actual payment. However, IAS 19, 'Employee Benefits', requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period. Therefore, the Company increased other payables by \$47,313; decreased retained earnings by \$49,994 and investments accounted for under equity method by \$2,681, at the transition date.

Additionally, the Company increased other payables by \$51,117; decreased retained earnings by \$49,994 and investments accounted for under equity method by \$6,229 at the transition date. The Company increased cost of goods sold by \$3,348, operating expenses by \$457 and share of loss of subsidiaries accounted for under equity method by \$3,547 on 31st December 2012.

(e) Pensions

- i. The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, 'Employee Benefits', requires an entity to determine the rate used to discount employee benefits with reference to market yields at the end of the reporting period on high quality corporate bonds of a currency and term consistent with the currency and term of the benefit obligation; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end of the reporting period) instead.
- ii. The Company has elected to recognize all cumulative actuarial gains and losses relating to all employee benefit plans in 'retained earnings' on the date of transition to IFRSs under IFRS 1 – First-time Adoption of International Financial Reporting Standards. Therefore, the Company increased accrued pension liability by \$140,294 and decreased retained earnings by \$140,294 at the transition date.
- iii. In accordance with the Company's accounting policies, unrecognized transitional net benefit obligation should be amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, the transitional provisions in IAS 19 are not applied to the Company as the first-time adopter of IFRSs, so the Company has no unrecognized transitional liabilities.
- iv. In accordance with R.O.C. GAAP, actuarial pension gain or loss of the Company is recognized in net pension cost of current period using the 'corridor' method. However, in accordance with IAS 19, 'Employee Benefits', the Company recognize immediately actuarial pension gain or loss in other comprehensive income. Therefore, the Company

increased accrued pension liability by \$227,793 and decreased retained earnings by \$140,294 on 31st December 2012, and decreased cost of goods sold by \$4,157 and operating expenses by \$47 and increased actuarial pension loss on defined benefit plans by \$91,703 for the year ended 31st December 2012.

- (f) Investments in associates/long-term equity investments accounted for under equity method
- i. In accordance with R.O.C. GAAP, for long-term equity investment under equity method, if an investor company loses its significant influence over an investee company because of a decrease in ownership or other reasons and therefore ceases using the equity method, the remaining investment in the investee company shall be reclassified to ‘available-for-sale financial assets’, and the cost of the remaining investment will be the book value at the time of change. If there is a balance on additional paid-in capital or other equity adjustment items from the long-term equity investment, then an investor company shall calculate its share when the investment is sold, so that the pro-rata gains or losses from the disposal of the long-term investment can be accounted for. In accordance with IAS 28, “Investments in Associates”, when an investment ceases to be an associate, the fair value of the remaining investment at the date when it ceases to be an associate should be regarded as its fair value on initial recognition of the financial asset. If there is a balance on additional paid-in capital or other equity adjustment items from the long-term equity investment, it shall be written off totally by the investor company when the investment is sold, so that the gains or losses from the disposal of the long-term investment can be accounted for. Therefore, the Company decreased cumulative translation adjustments and unrealized revaluation increment by \$15,486 and \$5,382, respectively, and decreased investments accounted for under equity method by \$20,868 at the transition date and on 31st December 2012.
 - ii. The Company has elected not to apply the requirements in IFRS 3, ‘Business Combinations’, retrospectively to the previous acquisitions of investments in associates, and elected to adjust retained earnings for previous R.O.C. GAAP capital surplus that did not meet the regulations of IFRSs at the transition date. Therefore, the Company decreased ‘capital surplus-long-term investments’ by \$2,970 and increased retained earnings by \$2,970 at the transition date and on 31st December 2012.

(g) Cumulative translation adjustments

The Company has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date in accordance with IFRS 1 – First-time Adoption of International Financial Reporting Standards. Therefore the Company decreased cumulative translation adjustments by \$615,206 and increased retained earnings by \$615,206 at the

transition date and on 31st December 2012.

(h) Special reserves

In accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1010012865, dated 6th April, 2012, the Company has elected to transfer cumulative translation adjustments into ‘undistributed earnings’. Therefore the Company increased special surplus reserves by \$426,354 and decreased retained earnings by \$426,354 at the transition date and on 31st December 2012.

D. Major adjustments for the consolidated statements of cash flows for the year ended 31st December 2012:

- (a) The transition from R.O.C. GAAP to IFRSs has no effect on the Company’s cash flows reported.
- (b) The reconciliation between R.O.C. GAAP and IFRSs has no net effect on the Company’s cash flows reported.