Phihong Technology Co., Ltd. and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Phihong Technology Co., Ltd.

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

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

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

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

March 21, 2014

<u>*Notice to Readers*</u>

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	**December 31, 2013** Amount	%	**December 31, 2012** Amount	%	**January 1, 2012** Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	$ 1,422,745	14	$ 1,543,288	16	$ 2,119,386	20
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	50,957	-	-	-	-	-
Trade receivables (Notes 4 and 10)	1,966,820	19	1,907,482	20	1,936,108	18
Other receivables	32,607	-	54,641	1	81,406	1
Inventories (Notes 4 and 11)	1,706,064	17	1,680,224	17	2,080,000	19
Prepayment for lease (Note 15)	3,303	-	2,788	-	2,792	-
Other current assets	336,490	3	154,722	2	219,118	2
Total current assets	5,518,986	53	5,343,145	56	6,438,810	60
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Notes 4 and 8)	-	-	30,620	-	33,357	-
Financial assets measured at cost - non-current (Notes 4 and 9)	111,145	1	90,945	1	93,254	1
Investments accounted for using equity method (Notes 4 and 12)	329,633	3	339,761	4	355,603	3
Property, plant and equipment (Notes 4 and 13)	4,116,384	40	3,517,009	37	3,472,330	33
Intangible assets (Notes 4 and 14)	46,308	1	42,760	-	19,729	-
Deferred tax assets (Notes 4 and 22)	47,423	1	48,419	1	67,496	1
Long-term prepayments for lease (Note 15)	133,309	1	129,059	1	114,986	1
Other non-current assets	25,741	-	32,057	-	50,744	1
Total non-current assets	4,809,943	47	4,230,630	44	4,207,499	40
TOTAL	$ 10,328,929	100	$ 9,573,775	100	$ 10,646,309	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term debt (Note 16)	$ 100,000	1	$ -	-	$ -	-
Trade payable	2,026,147	20	2,088,302	22	2,028,697	19
Trade payables to related parties (Note 27)	109,911	1	48,320	-	35,939	-
Other payables (Note 17)	1,028,646	10	1,058,420	11	1,259,299	12
Current tax liabilities (Notes 4 and 22)	86,446	1	93,017	1	204,632	2
Current portion of long-term borrowings (Note 16)	8,333	-	-	-	-	-
Other current liabilities (Note 18)	105,241	1	94,130	1	115,377	1
Total current liabilities	3,464,724	34	3,382,189	35	3,643,944	34
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 16)	791,667	8	200,000	2	200,000	2
Deferred tax liabilities (Notes 4 and 22)	79,832	1	79,832	1	79,832	1
Accrued pension liabilities (Notes 4 and 19)	65,186	-	66,792	1	73,270	1
Other non-current liabilities	898	-	2,259	-	1,128	-
Total non-current liabilities	937,583	9	348,883	4	354,230	4
Total liabilities	4,402,307	43	3,731,072	39	3,998,174	38
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 20)						
Share capital						
Common stock	2,771,639	27	2,771,639	29	2,749,329	26
Advanced collections for common stock	-	-	-	-	16,154	-
Total capital	2,771,639	27	2,771,639	29	2,765,483	26
Capital surplus	949,615	9	949,615	10	926,465	8
Retained earnings						
Legal reserve	1,083,147	11	1,052,192	11	909,627	9
Special reserve	230,859	2	-	-	-	-
Unappropriated earnings	853,368	8	1,238,611	13	2,059,221	19
Total retained earnings	2,167,374	21	2,290,803	24	2,968,848	28
Other equity						
Exchange differences on translating foreign operations	73,280	-	(148,361)	(2)	-	-
Unrealized (loss) gain on available-for-sale financial assets	(26,428)	-	(15,603)	-	(22,304)	-
Total other equity	46,852	-	(163,964)	(2)	(22,304)	-
Total equity attributable to owners of the company	5,935,480	57	5,848,093	61	6,638,492	62
NON-CONTROLLING INTEREST	(8,858)	-	(5,390)	-	9,643	-
Total equity	5,926,622	57	5,842,703	61	6,648,135	62
TOTAL	$ 10,328,929	100	$ 9,573,775	100	$ 10,646,309	100

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
NET SALES AND REVENUES (Notes 4, 31 and 32)	$ 12,081,088	100	$ 11,891,389	100
COST OF GOODS SOLD (Notes 4, 11 and 27)	10,227,880	85	9,588,528	81
GROSS PROFIT	1,853,208	15	2,302,861	19
OPERATING EXPENSES				
Sales and marketing	675,319	6	776,570	6
General and administration	530,909	4	560,162	5
Research and development	493,492	4	475,369	4
Total operating expenses	1,699,720	14	1,812,101	15
INCOME FROM OPERATIONS	153,488	1	490,760	4
NONOPERATING INCOME (EXPENSES)				
Other income	160,280	1	117,397	1
Other gains and losses (Note 21)	(13,071)	-	(131,221)	(1)
Finance costs	(8,867)	-	(4,532)	-
Share of the profit of associates	5,006	-	11,156	-
Total nonoperating income (expenses)	143,348	1	(7,200)	-
INCOME BEFORE INCOME TAX	296,836	2	483,560	4
INCOME TAX EXPENSE (Note 22)	(146,321)	(1)	(186,154)	(2)
NET INCOME	150,515	1	297,406	2
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translating foreign operations (Note 20)	220,192	2	(148,586)	(1)
Unrealized gain on available-for-sale financial assets (Note 20)	(1,875)	-	6,458	-
Actuarial gain arising from defined benefit plans (Note 19)	1,447	-	6,880	-
Share of the other comprehensive income of associates (Note 20)	(8,950)	-	243	-
Income tax relating to components of other comprehensive income	(246)	-	(1,170)	-
Total other comprehensive income (loss)	210,568	2	(136,175)	(1)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 361,083	3	$ 161,231	1

(Continued)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
NET INCOME ATTRIBUTABLE TO:				
Owner of the Company	$ 152,534	1	$ 312,214	2
Non-controlling interests	(2,019)	-	(14,808)	-
	$ 150,515	1	$ 297,406	2
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	$ 364,551	3	$ 176,264	1
Non-controlling interests	(3,468)	-	(15,033)	-
	$ 361,083	3	$ 161,231	1
EARNINGS PER SHARE (Note 23)				
Basic	$ 0.55		$ 1.13	
Diluted	$ 0.55		$ 1.11	

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company										
	Share Capital			Retained Earnings			Other Equity				
	Common Stock	Advance Collection for Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Non-controlling Interest	Total Equity
BALANCE, JANUARY 1, 2012	$ 2,749,329	$ 16,154	$ 926,465	$ 909,627	$ -	$ 2,059,221	$ -	$ (22,304)	$ 6,638,492	$ 9,643	$ 6,648,135
Appropriation of the 2011 net income (Note 20)											
Legal reserve	-	-	-	142,565	-	(142,565)	-	-	-	-	-
Cash dividend	-	-	-	-	-	(995,969)	-	-	(995,969)	-	(995,969)
Net income (loss) for the year ended December 31, 2012	-	-	-	-	-	312,214	-	-	312,214	(14,808)	297,406
Other comprehensive income (loss) for the year ended December 31, 2012, net of income tax	-	-	-	-	-	5,710	(148,361)	6,701	(135,950)	(225)	(136,175)
Total comprehensive income (loss) for the year ended December 31, 2012	-	-	-	-	-	317,924	(148,361)	6,701	176,264	(15,033)	161,231
Advance collections for common stock transferred to capital stock	7,880	(16,154)	8,274	-	-	-	-	-	-	-	-
Issue of common stock under employee share options (Note 24)	14,430	-	14,876	-	-	-	-	-	29,306	-	29,306
BALANCE, DECEMBER 31, 2012	2,771,639	-	949,615	1,052,192	-	1,238,611	(148,361)	(15,603)	5,848,093	(5,390)	5,842,703
Appropriation of the 2012 net income											
Legal reserve	-	-	-	30,955	-	(30,955)	-	-	-	-	-
Cash dividend	-	-	-	-	-	(277,164)	-	-	(277,164)	-	(277,164)
Special reserve at first-time adoption of IFRSs (Note 20)	-	-	-	-	230,859	(230,859)	-	-	-	-	-
Net income (loss) for the year ended December 31, 2013	-	-	-	-	-	152,534	-	-	152,534	(2,019)	150,515
Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax	-	-	-	-	-	1,201	221,641	(10,825)	212,017	(1,449)	210,568
Total comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	-	153,735	221,641	(10,825)	364,551	(3,468)	361,083
BALANCE, DECEMBER 31, 2013	$ 2,771,639	$ -	$ 949,615	$ 1,083,147	$ 230,859	$ 853,368	$ 73,280	$ (26,428)	$ 5,935,480	$ (8,858)	$ 5,926,622

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 296,836	$ 483,560
Adjustments for:		
Reversal of impairment loss on trade receivables	(5,293)	(15,954)
Depreciation expense	420,115	451,698
Amortization expense	18,639	14,523
Finance costs	8,867	4,532
Interest income	(10,717)	(15,965)
Dividend revenue	(234)	(4,927)
Share of profit of associates	(5,006)	(11,156)
Loss on disposal of property, plant and equipment	3,000	18,591
Loss on disposal of financial assets	169	-
Write-down of inventories	45,013	33,056
Net changes in operating assets and liabilities		
Trade receivable	(54,045)	44,580
Other receivables	22,011	29,244
Inventories	(70,853)	366,720
Other current assets	(171,614)	63,771
Other non-current assets	3,924	14,382
Trade payable	(62,155)	59,605
Trade payable to related parties	61,591	12,381
Other payables	(57,555)	(213,011)
Other current liabilities	11,111	(21,247)
Reserve for retirement plan	(159)	402
Cash generated from operating activities	453,645	1,314,785
Interest paid	(7,337)	(4,066)
Interest received	10,740	16,050
Income tax paid	(152,142)	(279,825)
Net cash generated from operating activities	304,906	1,046,944
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(50,957)	-
Proceeds on sale of available-for-sale financial assets	31,092	-
Purchase of financial assets measured at cost	(49,996)	-
Proceeds on sale of financial assets measured at cost	10,483	-
Payments for property, plant and equipment	(840,243)	(621,004)
Proceeds from disposal of property, plant and equipment	14,265	3,956
Increase in other prepayments	-	(21,523)
Payments for intangible assets	(18,372)	(35,073)
Proceeds from disposal of intangible assets	122	-
Decrease in refundable deposits	2,392	4,305

(Continued)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2013	2012
Dividend received	$ 6,419	$ 21,189
Decrease and return of capital from associates	-	10,979
Decrease and return of capital from investees of available-for-sale financial assets	-	9,195
Decrease and return of capital from investees of financial assets measured at cost	16,796	2,309
Net cash used in investing activities	(877,999)	(625,667)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term debt	100,000	-
Cash dividends paid	(277,164)	(995,969)
Proceeds from employee stock options	-	29,306
Proceeds from long-term borrowings	600,000	-
Decrease in advance deposits received	(87)	(143)
Net cash generated from (used in) financing activities	422,749	(966,806)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	29,801	(30,569)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(120,543)	(576,098)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,543,288	2,119,386
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,422,745	$ 1,543,288

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Thousands of New Taiwan Dollars, Except Per Share Data and Unless Stated Otherwise)

1. GENERAL INFORMATION

Phihong Technology Co., Ltd. ("Phihong" or "the Company"), which was formerly known as Phihong Enterprise Co., Ltd. was incorporated on December 12, 1972 under the laws of the Republic of China ("ROC"). Under a resolution approved in the stockholders' meeting in June 2003, Phihong changed its name to Phihong Technology Co., Ltd. Phihong primarily manufactures and sells AC/DC power adapters, charger bases, power supply modules, UPS (uninterruptible power supply) for computers, ballasts, etc.

In February 2000, Phihong was authorized to have its stocks trade on the over-the-counter (OTC) securities exchange in Taiwan. In September 2001, Phihong's stocks were ceased to be OTC traded and Phihong later obtained authorization to have its stocks listed on the Taiwan Stock Exchange.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and approved for issue on March 21, 2014.

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

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

The Company and its entire controlled subsidiaries (collectively the "Group") have not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations (IFRIC), and Standing Interpretations (SIC) issued by the IASB. As of the date that the consolidated financial statements were reported to the board and authorized for issue, the Financial Supervisory Commission ("FSC") has not announced the effective date for the following new and revised standards, amendments and interpretations:

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

(Continued)

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

(Concluded)

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

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

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

b. Significant impending changes in accounting policy that would result from adoption of New IFRSs in issue but not yet effective

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

1) IFRS 9 "Financial Instruments"

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

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

a) IFRS 10 "Consolidated Financial Statements"

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

b) IFRS 12 "Disclosure of Interests in Other Entities"

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

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

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

3) IFRS 13 "Fair Value Measurement"

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

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

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

5) Amendments to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

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

6) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 "Share-Based Payment", IFRS 3 "Business Combinations" and IFRS 8 "Operating Segments" were amended in this annual improvement.

The amended IFRS 2 changes the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'. The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

7) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards including IFRS 3, IFRS 13 and IAS 40 “Investment Property” were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

c. Material impact on consolidated financial statements that would result from adoption of new and revised standards, amendments and interpretations in issue but not yet effective

The Group is in the process of estimating the impact of the initial application of the standards, amendments and interpretations on its financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been completed and the consolidated financial statements have been approved and authorized for issuance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

a. Statement of compliance

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

b. Basis of preparation

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

The opening consolidated balance sheet as of the date of transition to IFRSs was prepared in accordance with IFRS 1 “First-time Adoption of International Financial Reporting Standards”. The applicable IFRSs have been applied retrospectively by the Group except for some aspects where IFRS 1 prohibits retrospective application or grants optional exemptions to this general principle. For the exemptions that the Group elected, refer to Note 33.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

The Group engages in the construction business, which has an operating cycle of over one year, the normal operating cycle applies when considering the classification of the Group’s construction-related assets and liabilities.

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company.

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

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

2) Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	Percentage of Ownership December 31, 2013	December 31, 2012	January 1, 2012
Phihong	Phihong International Corp.	Makes investments	100.00	100.00	100.00
	Phitek International Co., Ltd.	Makes investments	100.00	100.00	100.00
	Ascent Alliance Ltd.	Makes investments	100.00	100.00	100.00
	Phihong USA Corp. (“PHA”)	Sells various power supplies	100.00	100.00	100.00
	American Ballast Corp.	Sells various ballasts	100.00	100.00	100.00
	Phihong Technology Japan Co., Ltd.	Sells power components	100.00	100.00	100.00
	Guang-Lai Investment Co., Ltd.	Makes investments	100.00	100.00	100.00
Phihong International Corp.	Phihong (Dongguan) Electronics Co., Ltd.	Manufactures various power supplies	100.00	100.00	100.00
	Phitek (Tianjin) Electronics Co., Ltd.	Manufactures various power supplies	100.00	100.00	100.00
	Phihong Electronics (Suzhou) Co., Ltd.	Manufactures various power supplies and ballasts	100.00	100.00	100.00
	Value Dynamic Investment Ltd.	Makes investments	100.00	100.00	100.00
	N-Lighten Technologies, Inc.	Makes investments	58.45	58.45	58.45
Value Dynamic Investment Ltd.	Yanghong Trade Co., Ltd.	Manufactures various lighting supplies	100.00	100.00	100.00
N-Lighten Technologies, Inc.	N-Lighten (Shanghai) Trading Inc.	Develops, manufactures and sells various equipment and monitors	100.00	100.00	100.00
Phihong Electronics (Suzhou) Co., Ltd.	Suzhou Xin Phihong Electronics Co., Ltd.	Manufactures and sells lighting supplies	89.88	89.88	89.88
Phitek International Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Manufactures various power supplies	100.00	100.00	100.00
	Suzhou Xin Phihong Electronics Co., Ltd.	Manufactures and sells lighting supplies	10.12	10.12	10.12
Ascent Alliance Ltd.	Dongguan Shuang-Ying Electronics Co., Ltd.	Manufactures and sells electronic materials	100.00	100.00	100.00
	Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Manufactures and sells electronic materials and transformers	100.00	100.00	100.00
Guang-Lai Investment Co., Ltd.	N-Lighten Technologies Inc.	Makes investments	19.78	19.78	19.78

e. Foreign currencies

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

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

1) Exchange differences on foreign currency borrowings relating to assets under construction for future productive use are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

2) Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

3) Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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

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

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

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

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

f. Inventories

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

g. Investment in associates

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

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

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

h. Property, plant, and equipment

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

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

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

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

i. Intangible assets

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

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

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at fair value through profit or loss

Financial asset is classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

ii. Available-for-sale financial assets

Listed stocks held by the Group that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss that was previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

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

iii. Loans and receivables

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

b) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and the delayed payments in the portfolio past the average credit period.

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

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security is considered to be objective evidence of impairment. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

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

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

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

c) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

All financial liabilities are measured at amortized cost using the effective interest method. The Group derecognizes financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

l. Financial instruments

Provision is measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. The Group has accrued provision for product guarantee at a certain percentage of current sales.

m. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced by the amount of estimated customer returns, rebates and other similar allowances.

1) Sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

2) Dividend and interest income

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

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

n. Borrowing costs

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

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

o. Retirement benefit costs

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

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

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

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

p. Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for post-employment benefits except that all past service cost and actuarial gains and losses are recognized immediately.

q. Employee share options

Equity-settled share-based payment arrangements/employee share options granted to employee are accounted for as follows:

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

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

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

r. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

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

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

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

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

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

a. Income tax

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

b. Estimated impairment of notes and trade receivable

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

c. The fair value of financial instruments

The Group applies valuation techniques commonly used by market participants. For derivative financial instruments, assumptions were based on quoted market rates adjusted for specific features of the instruments. The estimated fair value of unlisted equity instruments is based on the analysis of the financial position and operation result of investee. The Group believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

d. The impairment and useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. Equipment impairment amount is based on the recoverable amount of the equipment (i.e., the higher of the fair value less the costs to sell of the asset or its value in use). Changes in market prices and future cash flows will affect the recoverability of these assets and may result in recognition of additional impairment loss or reversal of impairment loss.

e. Write-down of inventory

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

f. Recognition of defined benefit plans

The pension expenses and pension liability recognized in defined benefit plans are determined using the Projected Unit Credit Method. The actuarial assumptions used in the valuation of defined benefit plans include discount rate, employee turnover rates and employee salary increase rate. Changes in the market and economic condition may have a material impact on the amount of pension expense and pension liability.

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 2,267	$ 1,727	$ 2,073
Check accounts and demand deposits	1,346,478	1,420,595	1,614,016
Time deposits	74,000	57,000	164,060
Repurchase agreements collateralized by bonds	-	63,966	339,237
	$ 1,422,745	$ 1,543,288	$ 2,119,386

The ranges of market rates of demand deposits, time deposits and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Demand deposits and time deposits	0.01%-3.30%	0.01%-2.85%	0.01%-3.10%
Repurchase agreements collateralized by bonds	-	0.76%	0.75%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets designated as at FVTPL			
Guaranteed financial products	$ 50,957	$ -	$ -

The Group entered into a 7 to 15 days guaranteed financial products contract with a bank in 2013. The Group designated the entire contract as financial assets at FVTPL on initial recognition.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Quoted stocks			
Hua Jung Component Co., Ltd.	$ -	$ 30,620	$ 33,357

9. FINANCIAL ASSETS MEASURED AT COST

	December 31, 2013	December 31, 2012	January 1, 2012
Unlisted stocks			
Bao-Dian Venture Capital Co., Ltd.	$ 9,015	$ 12,255	$ 12,255
Yuan-Jing Venture Capital Co., Ltd.	20,010	31,500	31,500

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Han-Tong Venture Capital Co., Ltd.	$ 49,996	$ -	$ -
Asiatech Taiwan Venture Fund	682	2,748	5,057
Yong-Li Investment Ltd.	9,442	9,442	9,442
TC-1 Culture Fund	22,000	22,000	22,000
Hui-Cheng Electronic Co., Ltd.	-	13,000	13,000
	$ 111,145	$ 90,945	$ 93,254

(Concluded)

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

Bao-Dian Venture Capital Co., Ltd. had outstanding common stock of $128,700 thousand at January 1, 2013. In the fourth quarter of 2013, Bao-Dian Venture Capital Co., Ltd.'s board of directors approved to decrease and return its capital in the amount of $45,045 thousand, capital reduction ratio of 35%. The Company received the returned capital of $3,240 thousand. Bao-Dian Venture Capital Co., Ltd. had outstanding common stock of $83,655 thousand at December 31, 2013.

Yuan-Jing Venture Capital Co., Ltd. had outstanding common stock of $619,750 thousand at January 1, 2013. In the third quarter of 2013, Yuan-Jing Venture Capital Co., Ltd.'s board of directors approved to decrease and return its capital in the amount of $212,575 thousand, capital reduction ratio of 34.3%. The Company received the returned capital of $11,490 thousand. Yuan-Jing Venture Capital Co., Ltd. had outstanding common stock of $407,175 thousand at December 31, 2013.

The Company purchased 4,330 thousand shares of Han-Tong Venture Capital Co., Ltd.'s common stocks with per share price of NT$11.55 in August 2013.

10. TRADE RECEIVABLE

	December 31, 2013	December 31, 2012	January 1, 2012
Trade receivable	$ 1,980,245	$ 1,937,679	$ 1,987,812
Less: Allowance for doubtful accounts	(13,425)	(30,197)	(51,704)
	$ 1,966,820	$ 1,907,482	$ 1,936,108

The average credit period for sales of goods was 30-70 days. In determining the recoverability of trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for doubtful accounts was recognized against trade receivables based on estimated irrecoverable amounts determined by reference to credit risk level of the counterparties and an analysis of their current financial position.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Not overdue and not impaired	$ 1,922,281	$ 1,888,952	$ 1,871,321
Overdue under 60 days	47,081	20,827	64,954
Overdue 61 days and longer	10,883	27,900	51,537
	$ 1,980,245	$ 1,937,679	$ 1,987,812

Movements in the allowance for doubtful accounts recognized on trade receivable were as follows:

	For the Years Ended December 31	
	2013	2012
Balance at January 1	$ 30,197	$ 51,704
Reversed impairment loss on receivables	(5,293)	(15,954)
Amounts written off as uncollectible	(11,875)	(5,264)
Effect of exchange rate changes	396	(289)
Balance at December 31	$ 13,425	$ 30,197

As of December 31, 2013, December 31, 2012 and January 1, 2012, trade receivable of PHA in the amount of $725,785 thousand, $435,683 thousand and $522,793 thousand, respectively, had been pledged to secure short-term debts (the amount was not used as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively). See Note 28 to the consolidated financial statements.

11. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Raw materials	$ 502,913	$ 527,235	$ 617,296
Work-in-process	168,856	148,214	181,425
Finished goods	465,439	351,712	427,637
Merchandise	568,856	653,063	853,642
	$ 1,706,064	$ 1,680,224	$ 2,080,000

As of December 31, 2013, December 31, 2012 and January 1, 2012, allowance of inventory devaluation were $321,282 thousand, $291,012 thousand and $266,370 thousand, respectively.

For the years ended December 31, 2013 and 2012, the cost of inventories recognized as cost of goods sold were $10,227,880 thousand and $9,588,558 thousand, respectively. Provision for inventory devaluation and obsolescence in the amounts of $45,013 thousand and $33,056 thousand were included in the cost of goods sold for the years ended December 31, 2013 and 2012, respectively.

As of January 1, 2012, inventories of PHA in the amounts of $448,725 thousand had been pledged to secure long-term debts (the credit was not used as of January 1, 2012). See Note 28 to the consolidated financial statements.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

	December 31, 2013	December 31, 2012	January 1, 2012
Unlisted stocks			
Hao-Xuan Venture Capital Co., Ltd.	$ 40,208	$ 55,052	$ 67,350
H&P Venture Capital Co., Ltd.	137,642	152,762	147,560
Han-Yu Venture Capital Co., Ltd.	116,630	99,243	109,986
Spring City Resort Co., Ltd.	35,153	32,704	30,707
	$ 329,633	$ 339,761	$ 355,603

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

	December 31, 2013	December 31, 2012	January 1, 2012
Hao-Xuan Venture Capital Co., Ltd.	24.67%	24.67%	24.67%
H&P Venture Capital Co., Ltd.	32.26%	32.26%	32.26%
Han-Yu Venture Capital Co., Ltd.	22.22%	22.22%	22.22%
Spring City Resort Co., Ltd.	25.33%	25.33%	25.33%
Phihong PWM Brasil Ltda.	60.00%	60.00%	60.00%
First International Computer Do Brasil Ltda.	33.85%	33.85%	33.85%

In 2012, Hao-Xuan Venture Capital Co., Ltd.'s board of directors approved to decrease and return its capital in the amount of $44,509 thousand. The Company received the returned capital of $10,979 thousand.

Phihong's investments in Brazil include 60% ownership interest of Phihong PWM Brasil Ltda. and 33.85% ownership interest of First International Computer Do Brasil Ltda. Additionally, Phihong PWM Brasil Ltda. also holds 21.15% ownership interest of First International Computer Do Brasil Ltda. The other 40% ownership interest of Phihong PWM Brasil Ltda. is held by the local management team. According to cooperation mode between the Company and the local management team and under Brazilian local laws, the Company has no controlling power over Phihong PWM Brasil Ltda. Because the recoverability of the investments in Phihong PWM Brasil Ltda. and First International Computer Do Brasil Ltda. is low, the Company reduced the carrying value of both investments to zero.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$ 1,735,926	$ 1,775,974	$ 1,863,220
Total liabilities	$ 482,631	$ 503,534	$ 516,588

	For the Years Ended December 31	
	2013	2012
Revenue for the period	$ 545,760	$ 548,560
Profit for the period	$ 26,727	$ 41,846
Other comprehensive income for the period	$ (22,021)	$ 8,659

The investments accounted by the equity method, the share of profit or loss and other comprehensive income for the years ended December 31, 2013 and 2012 were based on the associates' financial statements which were audited by auditors for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress	Total
Cost						
Balance at January 1, 2012	$ 256,353	$ 2,513,376	$ 2,164,464	$ 578,580	$ 93,314	$ 5,606,087
Additions	-	8,894	256,034	51,270	314,259	633,907
Disposals	-	(2,320)	(60,270)	(12,729)		(75,319)
Effect of foreign currency exchange differences	(2,003)	(83,286)	(86,405)	(16,305)	(6,629)	(194,628)
Others	-	9,541	89,058	3,193	(93,282)	8,456
Balance at December 31, 2012	$ 254,350	$ 2,446,205	$ 2,365,881	$ 604,405	$ 307,662	$ 5,978,503
Accumulated depreciation and impairment						
Balance at January 1, 2012	$ -	$ 748,275	$ 1,005,583	$ 379,899	$ -	$ 2,133,757
Disposals	-	(1,796)	(43,539)	(7,437)	-	(52,772)
Depreciation expense	-	115,616	261,299	74,783	-	451,698
Effect of foreign currency exchange differences	-	(24,951)	(44,402)	(12,586)	-	(81,939)
Others	-	(98)	7,775	3,073	-	10,750
Balance at December 31, 2012	$ -	$ 837,046	$ 1,186,716	$ 437,732	$ -	$ 2,461,494
Carrying amounts at January 1, 2012	$ 256,353	$ 1,765,101	$ 1,158,881	$ 198,681	$ 93,314	$ 3,472,330
Carrying amounts at December 31, 2012	$ 254,350	$ 1,609,159	$ 1,179,165	$ 166,673	$ 307,662	$ 3,517,009
Cost						
Balance at January 1, 2013	$ 254,350	$ 2,446,205	$ 2,365,881	$ 604,405	$ 307,662	$ 5,978,503
Additions	16,379	33,535	63,653	58,510	692,953	865,030
Disposals	-	(2,491)	(36,389)	(27,884)	-	(66,764)
Effect of foreign currency exchange differences	757	126,133	136,846	20,678	26,181	310,595
Others	-	8,230	104,169	(63,507)	(59,298)	(10,406)
Balance at December 31, 2013	$ 271,486	$ 2,611,612	$ 2,634,160	$ 592,202	$ 967,498	$ 7,076,958
Accumulated depreciation and impairment						
Balance at January 1, 2013	$ -	$ 837,046	$ 1,186,716	$ 437,732	$ -	$ 2,461,494
Disposals	-	(1,370)	(23,030)	(25,099)	-	(49,499)
Depreciation expense	-	100,425	254,209	65,481	-	420,115
Effect of foreign currency exchange differences	-	43,756	69,267	15,694	-	128,717
Others	-	(1,144)	59,424	(58,533)	-	(253)
Balance at December 31, 2013	$ -	$ 978,713	$ 1,546,586	$ 435,275	$ -	$ 2,960,574
Carrying amounts at December 31, 2013	$ 271,486	$ 1,632,899	$ 1,087,574	$ 156,927	$ 967,498	$ 4,116,384

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

Buildings	
Main building	50 years
Engineering system	10 years
Machinery and equipment	3-10 years
Other equipment	3-5 years

Refer to Note 28 for the carrying amount of property, plant and equipment that had been pledged by the Group to secure long-term loans.

14. INTANGIBLE ASSETS

	Completed Investment Property
Cost	
Balance at January 1, 2012	$ 38,966
Additions	35,073
Disposals	(590)
Effect of foreign currency exchange differences	(539)
Others	4,446
Balance at December 31, 2012	$ 77,356
Accumulated amortization and impairment	
Balance at January 1, 2012	$ 19,237
Disposals	11,694
Depreciation expense	(440)
Effect of foreign currency exchange differences	(334)
Others	4,439
Balance at December 31, 2012	$ 34,596
Carrying amounts at January 1, 2012	$ 19,729
Carrying amounts at December 31, 2012	$ 42,760
Cost	
Balance at January 1, 2013	$ 77,356
Additions	18,372
Disposals	(2,193)
Effect of foreign currency exchange differences	1,085
Balance at December 31, 2013	$ 94,620

(Continued)

	Completed Investment Property
Accumulated amortization and impairment	
Balance at January 1, 2013	$ 34,596
Disposals	15,381
Depreciation expense	(2,071)
Effect of foreign currency exchange differences	406
Balance at December 31, 2013	$ 48,312
Carrying amounts at December 31, 2013	$ 46,308

(Concluded)

The above items of intangible assets were depreciated on a straight-line basis over estimated useful life of 2 to 5 years.

15. PREPAYMENTS FOR LEASE

	December 31, 2013	December 31, 2012	January 1, 2012
Prepayments for lease	$ 136,612	$ 131,847	$ 117,778
Current	$ 3,303	$ 2,788	$ 2,792
Noncurrent	133,309	129,059	114,986
	$ 136,612	$ 131,847	$ 117,778

Prepayments for lease are prepaid for land use rights for land located in Mainland China.

16. BORROWINGS

Short-term Debt

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured loan			
Bank borrowings	$ 100,000	$ -	$ -
Interest rate	1.32%	-	-

Long-term Debt

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured loan			
Medium-term loan Repayable from March 13, 2013 to March 13, 2015; interest rate was 1.42% on December 31, 2013. Interest is paid monthly and principal is due on March 13, 2015.	$ 100,000	$ -	$ -
Medium-term loan Repayable from August 13, 2013 to August 13, 2015; interest rate was 1.42% on December 31, 2013. Interest is paid monthly and principal is due on August 13, 2015.	100,000	-	-
Medium-term loan Repayable from September 27, 2012 to September 27, 2014; interest rate was 1.37% on December 31, 2012. Interest is paid monthly and principal is due on September 27, 2014 (principal was fully repaid in December 2013).	-	100,000	-
Medium-term secured loan Repayable from December 11, 2013 to December 11, 2015; interest rate was 1.39% on December 31, 2013. Interest is paid monthly and principal is due on December 11, 2015.	250,000	-	-
Secured loan			
Medium-term secured loan Repayable from December 11, 2013 to December 11, 2015; interest rate was 1.39% on December 31, 2013. Interest is paid monthly and principal is due on December 11, 2015.	250,000	-	-
Medium-term secured loan Repayable from September 27, 2012 to September 27, 2014; interest rate was 1.37% on December 31, 2013. Interest is due monthly and principal is due on September 27, 2014 (principal was fully repaid in December 2013).	-	100,000	-

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Medium-term secured loan Repayable from August 13, 2013 to November 19, 2015; interest rate was 1.48% on December 31, 2013. Interest is due monthly and principal is repaid monthly from December 19, 2013.	$ 100,000	$ -	$ -
Medium-term secured loan Repayable from December 29, 2011 to December 29, 2013; interest rate was 1.37% on January 1, 2012. Interest is paid monthly and principal is due on December 29, 2013. Principal was fully repaid in September 2012.	-	-	200,000
	800,000	200,000	200,000
Less: Long-term loans payable - current portion	(8,333)	-	-
	$ 791,667	$ 200,000	$ 200,000

(Concluded)

For pledged properties and endorsements/guarantees, please see Notes 27 and 28 to the consolidated financial statements.

17. OTHER PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Payable for purchase of equipment	$ 37,946	$ 13,159	$ 256
Payable for salaries and bonus	307,706	284,044	165,914
Compensation payable to employees and directors and supervisors	27,456	55,720	256,618
Payable for annual leave	37,880	32,076	34,554
Others	617,658	673,421	801,957
	$ 1,028,646	$ 1,058,420	$ 1,259,299

18. PROVISION (RECORDED AS OTHER CURRENT LIABILITIES)

	December 31, 2013	December 31, 2012	January 1, 2012
Warranties	$ 9,444	$ 9,271	$ 10,389
Export losses	49,052	49,052	49,052
	$ 58,496	$ 58,323	$ 59,441

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local regulations on sale of goods.

The provision of export loss represents the possible product returns and rebates; the amount was estimated based on historical experience, management's judgments and other known reasons.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

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

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Discount rates	1.875%	1.625%	1.750%
Expected return on plan assets	2.000%	1.875%	2.000%
Expected rates of salary increase	3.250%	3.250%	3.250%

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

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

	For the Years Ended December 31	
	2013	**2012**
Current service cost	$ 1,204	$ 1,907
Interest cost	1,839	2,302
Expected return on plan assets	(894)	(1,194)
	$ 2,149	$ 3,015

(Continued)

	For the Years Ended December 31	
	2013	2012
An analysis by function		
Operating cost	$ 201	$ 257
Marketing expenses	296	464
Administration expenses	280	427
Research and development expenses	1,372	1,867
	$ 2,149	$ 3,015

(Concluded)

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012 were $1,447 thousand and $6,880 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2013 and 2012 was $8,327 thousand and $6,880 thousand, respectively.

The amounts included in the consolidated balance sheets in respect of the Group's obligations on defined benefit plans were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded defined benefit obligation	$ 109,995	$ 113,180	$ 131,560
Fair value of plan assets	(44,809)	(46,388)	(58,290)
Net liability arising from defined benefit obligation	$ 65,186	$ 66,792	$ 73,270

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

	For the Years Ended December 31	
	2013	2012
Opening defined benefit obligation	$ 113,180	$ 131,560
Current service cost	1,204	1,907
Interest cost	1,839	2,302
Actuarial losses/(gains)	(1,728)	(7,536)
Others	(4,500)	(15,053)
Closing defined benefit obligation	$ 109,995	$ 113,180

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

	For the Years Ended December 31	
	2013	2012
Opening fair value of plan assets	$ 46,388	$ 58,290
Expected return on plan assets	894	1,194

(Continued)

	For the Years Ended December 31	
	2013	2012
Actuarial losses/(gains)	$ (281)	$ (656)
Contributions from plan participants	2,308	2,613
Benefits paid	(4,500)	(15,053)
Closing fair value of plan assets	$ 44,809	$ 46,388

(Concluded)

The major categories and related percentage of the fair value of plan assets at the balance sheet date were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Equity instruments	43.64%	38.29%	41.26%
Debt instruments	9.83%	11.00%	11.49%
Deposit in financial institutions	22.17%	23.39%	22.76%
Others	24.36%	27.32%	24.49%
	100.00%	100.00%	100.00%

The Company expects to make a contribution of $1,998 thousand to the defined benefit plans during the annual period beginning after 2013.

20. EQUITY

Share Capital

	December 31, 2013	December 31, 2012	January 1, 2012
Number of shares authorized (in thousands)	600,000	600,000	600,000
Shares authorized	$ 6,000,000	$ 6,000,000	$ 6,000,000
Number of shares issued and fully paid (in thousands)	277,164	277,164	274,933
Shares issued	$ 2,771,639	$ 2,771,639	$ 2,749,329

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

On June 14, 2013, Phihong Technology Co., Ltd.'s board of stockholders resolved to issue 5,000 thousand restricted stock shares, with a par value of NT$10 each, or NT$50,000 thousand total. Exercise value of NT$0 each. Except for restrictions against the transfer of shares, the rights and obligations of these common stocks (including allotment, dividend, shareholders' voting right, and capital injection right, etc.) before the employees fulfill the vesting conditions, are the same with other outstanding common stocks.

Capital Surplus

	December 31, 2013	December 31, 2012	January 1, 2012
Issuance of common shares	$ 226,556	$ 226,556	$ 203,406
Conversion of bonds	661,582	661,582	661,582
Treasury share transactions	48,234	48,234	48,234
Interest payable of bond conversion	13,243	13,243	13,243
	$ 949,615	$ 949,615	$ 926,465

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

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

Retained Earnings and Dividend Policy

Under the Company Law of the ROC and Phihong's Articles of Incorporation, 10% of Phihong's annual earnings, net of tax and any deficit, should first be appropriated as legal reserve until such reserve equals to the amount of Phihong's capital, and then a special reserve should be appropriated as required by laws or local authorities. Any remaining earnings plus unappropriated earnings accumulated in prior years, unless to be retained partially by Phihong or resolved otherwise by the stockholders, should be appropriated as follows:

a. Not greater than 2% as remuneration to directors and supervisors;
b. Not less than 10% as bonuses to employees; and
c. The remaining as dividends, of which at least 10% should be cash dividends.

For the years ended December 31, 2013 and 2012, the bonus to employees was $24,710 thousand and $50,148 thousand, respectively, and the remuneration to directors and supervisors was $2,746 thousand and $5,572 thousand, respectively. The bonus to employees and remuneration to directors and supervisors were expensed based on estimated percentage of net income (net of the bonus and remuneration). Material differences between such estimated amounts and the amounts proposed by the board of directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", a company should appropriate to special reserve. The Company elected the exemptions under IFRS 1.

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

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

The appropriations of earnings for 2012 and 2011 had been approved in stockholders' meetings held on June 14, 2013 and June 19, 2012, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2012	For Year 2011	For Year 2012	For Year 2011
Legal reserve	$ 30,955	$ 142,565	$ -	$ -
Cash dividends	277,164	995,969	1.00	3.59

The bonus to employees and the remuneration to directors and supervisors for 2012 and 2011 had been approved in the stockholders' meeting held on June 14, 2013 and June 19, 2012, respectively. Related amounts were as follows:

	For the Year Ended 2012		For the Year Ended 2011	
	Cash Dividends	Stock Dividends	Cash Dividends	Stock Dividends
Bonus to employees	$ 50,148	$ -	$ 236,998	$ -
Remuneration of directors and supervisors	5,572	-	19,620	-

There was no difference between the amounts accrued and the amounts approved in the stockholders' meetings with respect to bonus to employees and remuneration to directors and supervisors.

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

The appropriations of earnings for 2013 had been proposed by the Company's board of directors on March 21, 2014. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 15,253	$ -
Cash dividends	137,281	0.5

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

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

Special Reserves Appropriated Following First-time Adoption of IFRSs

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

	December 31, 2013	December 31, 2012	January 1, 2012
Special reserve	$ 230,859	$ -	$ -

The Company transferred unrealized revaluation increment and cumulative translation differences to retained earnings at the amount of $10,968 thousand and $250,296 thousand, respectively. The increase in retained earnings that resulted from all IFRSs adjustments was smaller than the total revaluation and translation differences; therefore, the Company appropriated to the special reserve an amount of $230,859 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

Other Equity Items

a. Foreign currency translation reserve

	For the Years Ended December 31	
	2013	2012
Balance at January 1	$ (148,361)	$ -
Exchange differences arising on translating foreign operations	221,641	(148,361)
Balance at December 31	$ (73,280)	$ (148,361)

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) were reclassified to profit or loss on the disposal of the foreign operation.

b. Investments revaluation reserve

	For the Years Ended December 31	
	2013	2012
Balance at January 1	$ (15,603)	$ (22,304)
Unrealized gain arising on revaluation of available-for-sale financial assets	(1,875)	6,458
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	(8,950)	243
Balance at December 31	$ (26,428)	$ (15,603)

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

Non-controlling Interest

	For the Years Ended December 31	
	2013	2012
Balance at January 1	$ (5,390)	$ 9,643
Attributable to non-controlling interests:		
Share of profit for the period	(2,019)	(14,808)
Exchange difference arising on translation of foreign entities	(1,449)	(225)
Balance at December 31	$ (8,858)	$ (5,390)

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Other gains and losses

	For the Years Ended December 31	
	2013	2012
Loss on disposal of property, plant and equipment	$ (3,000)	$ (18,591)
Exchange loss, net	(1,177)	(92,840)
Loss on disposal of investment	(169)	-
Others	(8,725)	(19,790)
	$ (13,071)	$ (131,221)

b. Depreciation and amortization

	For the Years Ended December 31	
	2013	2012
An analysis of depreciation by function		
Operating costs	$ 264,156	$ 278,805
Operating expenses	155,959	172,893
	$ 420,115	$ 451,698
An analysis of amortization by function		
Operating costs	$ 4,258	$ 2,980
Operating expenses	14,381	11,543
	$ 18,639	$ 14,523

c. Employee benefits expense

	For the Years Ended December 31	
	2013	2012
Post-employment benefits (Note 19)		
Defined contribution plans	$ 22,625	$ 22,002
Defined benefit plans	2,149	3,015
	24,774	25,017
Short-term employee benefits	2,412,821	2,076,418
	$ 2,437,595	$ 2,101,435
An analysis of employee benefits expense by function		
Operating costs	$ 1,548,485	$ 1,190,142
Operating expenses	889,110	911,293
	$ 2,437,595	$ 2,101,435

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Years Ended December 31	
	2013	2012
Current tax		
In respect of the current period	$ 123,632	$ 140,458
In respect of prior periods	21,796	(923)
Additional tax at 10% of unappropriated earnings	143	28,712
	145,571	168,247
Deferred tax		
In respect of the current period	750	17,907
Total income tax expense recognized in the current period	$ 146,321	$ 186,154

Accounting income and current income tax expense were reconciled as follows:

	For the Years Ended December 31	
	2013	2012
Income tax expense at statutory rate	$ 123,632	$ 140,458
Income tax on unappropriated earnings	143	28,712
Current income tax expense	123,775	169,170
Reversal of provision for deferred income tax assets (liabilities)		
Temporary difference	750	17,907
Adjustments to prior year's income tax expense	21,796	(923)
Total income tax expense recognized in the current period	$ 146,321	$ 186,154

b. Income tax recognized in other comprehensive income

	For the Years Ended December 31	
	2013	2012
Deferred tax		
In respect of the current year:		
Actuarial gains and losses on defined benefit plan	$ 246	$ 1,170
Total income tax recognized in other comprehensive income	$ 246	$ 1,170

c. Deferred tax assets and liabilities

The Group has offset certain deferred tax assets with deferred tax liabilities which met the offset criteria.

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

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory devaluation losses	$ 9,070	$ -	$ -	$ 9,070
Allowance for doubtful accounts	10,160	740	-	10,900
Unrealized gross profit	11,100	(2,570)	-	8,530
Deferred pension costs	10,280	(10)	-	10,270
Others	7,809	1,090	(246)	8,653
	$ 48,419	$ (750)	$ (246)	$ 47,423
Deferred tax liabilities				
Temporary differences				
Unrealized gain on financial instruments	$ 79,832	$ -	$ -	$ 79,832

For the year ended December 31, 2012

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory devaluation losses	$ 9,070	$ -	$ -	$ 9,070
Allowance for doubtful accounts	10,060	100	-	10,160
Unrealized gross profit	27,020	(15,920)	-	11,100

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred pension costs	$ 10,170	$ 110	$ -	$ 10,280
Others	11,176	(2,197)	(1,170)	7,809
	$ 67,496	$(17,907)	$ (1,170)	$ 48,419
Deferred tax liabilities				
Temporary differences				
Unrealized gain on financial instruments	$ 79,832	$ -	$ -	$ 79,832

(Concluded)

d. Information on integrated income tax was as follows:

	December 31, 2013
Unappropriated earnings	
Unappropriated earnings generated before January 1, 1998	$ -
Unappropriated earnings generated on and after January 1, 1998	853,368
	$ 853,368
Balance of imputation credit account (ICA)	$ 205,517

The creditable ratio for distribution of earnings of 2013 and 2012 was 30.15% (expected ratio) and 27.69%, respectively.

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

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

e. Income tax assessments

The latest income tax returns through 2011 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

	Income After Tax (Attributed to Owners of the Company)	Number of Common Shares Outstanding (In Thousands)	Earnings Per Share (NT$)
For the year ended December 31, 2013			
Basic earnings per share			
Net income	$ 152,534	277,164	$ 0.55
Effect of dilutive potential common shares			
Employee share option		-	
Employee bonus		1,316	
Diluted earnings per share			
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	$ 152,534	278,480	$ 0.55
For the year ended December 31, 2012			
Basic earnings per share			
Net income	$ 321,214	276,929	$ 1.13
Effect of dilutive potential common shares			
Employee share option		1,856	
Employee bonus		2,026	
Diluted earnings per share			
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	$ 321,214	280,811	$ 1.11

If the Group can settle the bonuses to employees by cash or shares, the Group presumes that the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

24. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

Qualified employees of the Company were granted 15,000 thousand options in December 2007. Each option entitles the holder to subscribe for one thousand new issued common shares of the Company. The options granted are valid for 6 years and the warrant holders can not exercise the right after 6 years from the grant date. The warrant holders can exercise the right up to half of the granted warrant units no earlier than two years from the grant date. After three years from the grant date, the warrants holders are eligible to exercise the right up to three-fourth of the granted warrant units. After four years from the grant date, the warrants holders are eligible to exercise all the warrants owned. The options were granted at an exercise price equal to the closing price of the Company's common shares listed on the OTC on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Years Ended December 31			
	2013		2012	
	Number of Options (In Thousand Shares)	Weighted-average Exercisable Price (NT$)	Number of Options (In Thousand Shares)	Weighted-average Exercisable Price (NT$)
Balance at January 1	4,515	$ 18.20	6,867	$ 20.50
Options exercised	-		(1,443)	20.31
Options expired	(4,515)		(909)	
Balance at December 31	-	-	4,515	18.20
Options exercisable, end of period	-		4,515	

25. CAPITAL MANAGEMENT

The capital structure of the Group consists of net debt (borrowings minus cash and cash equivalents) and equity attributable to owners of the Company.

Key management personnel of the Group review the capital structure periodically. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to stockholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

Except for the financial assets carried at cost, of which fair values can not be reliably measured, the management of the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable:

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

	December 31, 2013	December 31, 2012	January 1, 2012
Available-for-sale financial assets			
Equity securities listed in the ROC	$ -	$ 30,620	$ 33,357

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

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets at FVTPL			
Guaranteed financial products	$ 50,957	$ -	$ -

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

The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices. When such prices are not available, valuation techniques are applied. The estimates and assumptions used by the Group are consistent with those that market participants would use in setting a price for the financial instrument.

b. Categories of financial instruments

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets			
Loans and receivables			
Cash and cash equivalents	$ 1,422,745	$ 1,543,288	$ 2,119,386
Trade receivable	1,966,820	1,907,482	1,936,108
Other receivables	32,607	54,641	81,406
Refundable deposits (recorded as other non-current assets)	25,741	28,133	32,438
Financial assets at fair value through profit or loss	50,957	-	-
Available-for-sale financial assets	-	30,620	33,357
Financial assets carried at cost	111,145	90,945	93,254
Financial liabilities			
Measured at amortized cost			
Short-term debts	100,000	-	-
Notes and trade payable	2,026,147	2,088,302	2,028,697
Trade payable to related parties	109,911	48,320	35,939
Other payables	1,028,646	1,058,420	1,259,299
Current portion of long-term debts	8,333	-	-
Long-term debts	791,667	200,000	200,000
Advance deposits received (recorded as other non-current liabilities)	898	985	1,128

c. Financial risk management objectives and policies

The Group's major financial instruments included cash and cash equivalents, trade receivable, other receivables, refundable/advance deposit, trade payable, trade payable - related parties, other payables, short-term loans, and long-term loans. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

1) Market risk

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

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are presented in Note 30.

Sensitivity analysis

The Company was mainly exposed to the currency USD.

The following table details the Group’s sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity items when New Taiwan dollars strengthen by 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity items and the balances below would be negative.

	Currency USD Impact	
	For the Years Ended December 31	
	2013	**2012**
Profit or loss	$ 5,413	$ 3,523

b) Interest rate risk

The Group was exposed to fair value risk and cash flow interest rate risk from short-term loans, long-term loans, time deposit, repurchase agreements and collateralized bonds at both fixed and floating interest rates.

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

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Fair value interest rate risk			
Financial assets	$ 74,000	$ 57,000	$ 164,060
Financial liabilities	600,000	200,000	200,000
Cash flow interest rate risk			
Financial assets	-	120,966	503,297
Financial liabilities	300,000	-	-

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for financial instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 1% higher and all other variables were held constant, the Group's pre-tax profit for the year ended December 31, 2013 would have been lower by $3,000 thousand, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk approximates the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of customers in view of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

3) Liquidity risk

a) Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods:

December 31, 2013

	On Demand or Less than 1 Year	**1 to 3 Years**	**Over 3 Years**	**Total**
Non-derivative financial liabilities				
Non-interest bearing	$ 3,164,704	$ -	$ 898	$ 3,165,602
Variable interest rate instrument	8,333	291,667	-	300,000
Fixed interest rate instrument	100,000	500,000	-	600,000
	$ 3,273,037	$ 791,667	$ 898	$ 4,065,602

December 31, 2012

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 3,195,042	$ -	$ 985	$ 3,196,027
Fixed interest rate instrument	-	200,000	-	200,000
	$ 3,195,042	$ 200,000	$ 985	$ 3,396,027

January 1, 2012

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 3,323,935	$ -	$ 1,128	$ 3,325,063
Fixed interest rate instrument	-	200,000	-	200,000
	$ 3,323,935	$ 200,000	$ 1,128	$ 3,525,063

b) Financing facilities

	December 31, 2013	December 31, 2012	January 1, 2012
Unused bank financing facilities	$ 1,238,800	$ 1,761,820	$ 1,708,000

27. RELATED-PARTY TRANSACTIONS

a. The Group’s related parties and relationship

Related Party	Relationship with the Group
Xu Sheng Technology Co., Ltd.	Other related parties
Red Sun Metal Industry Co., Ltd.	Other related parties
Shine Tech Ltd.	Other related parties
Heng Hui Co., Ltd.	Other related parties
Dongguan Song Xiang Metal Products Co., Ltd.	Other related parties
Dongguan Fenggang Pin Hao Metal Products Co., Ltd.	Other related parties
Hua Jung Co., Ltd.	Other related parties
Peter Lin	Phihong’s chairman

Details of transactions between the Group and other related parties were disclosed below:

b. Trading transactions

	For the Years Ended December 31	
	2013	2012
Purchase of goods		
Other related parties	$ 325,091	$ 133,851

There is no significant difference between purchase price from related parties and purchase price from unrelated parties.

The following balances of trade payables for purchases from related parties were outstanding at the end of the reporting period:

	December 31, 2013	December 31, 2012	January 1, 2012
Other related parties	$ 109,911	$ 48,320	$ 35,939

c. Compensation of key management personnel

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

	For the Years Ended December 31	
	2013	2012
Short-term benefits	$ 63,122	$ 67,531
Post-employment benefits	323	286
	$ 63,445	$ 67,817

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

d. Other transactions with related parties

The key management personnel of the Group have guaranteed the payments of the loans of the Company as of December 31, 2013, December 31, 2012 and January 1, 2012. The amounts of the guarantees were $900,000 thousand, $200,000 thousand and $200,000 thousand, respectively.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31, 2013	December 31, 2012	January 1, 2012
Freehold land	$ 112,450	$ 112,450	$ 112,450
Buildings	149,409	159,579	170,068
Inventories	-	-	448,725
Trade receivable	725,785	435,683	522,793
	$ 987,644	$ 707,712	$ 1,254,036

29. CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Acquisition of property, plant and equipment	$ -	$ 408,618	$ -

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

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

	December 31, 2013			December 31, 2012			January 1, 2012		
	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)
Financial assets									
Monetary items									
USD	$ 152,137	29.9000	$ 4,548,896	$ 115,370	29.0400	$ 3,350,345	$ 107,850	30.2800	$ 3,265,698
JPY	613,528	0.2836	173,997	296,607	0.3354	99,482	286,008	0.3888	111,200
HKD	3,511	3.8557	13,537	3,554	3.7462	13,314	13,266	3.8940	51,658
RMB	38,446	4.8997	188,374	81,781	4.6172	377,599	77,482	4.7944	371,480
Financial liabilities									
Monetary items									
USD	111,020	29.9000	3,319,498	90,092	29.0400	2,616,272	80,089	30.2800	2,425,095
JPY	10,761	0.2836	3,052	7,656	0.3354	2,568	16,754	0.3888	6,514
HKD	4,808	3.8557	18,538	3,123	3.7462	11,699	19,548	3.8940	76,120
RMB	139,663	4.8997	684,307	128,917	4.6172	595,236	74,877	4.7944	358,990

Note: Exchange rate represents the amount of New Taiwan dollars for which one foreign currency could be exchanged.

31. SEGMENT INFORMATION

The Group's power supply segment is the only one reportable segment. The power supply segment mainly engages in the manufacturing and selling of AC/DC power adapters, charger bases, and power supply modules for computers. The Group's other operating segments did not exceed the quantitative threshold so they are not disclosed as reportable segments. These segments mainly engage in manufacturing and selling of lighting supply and developing, manufacturing and selling monitors.

The Group adopted operating profits as the measurement threshold. There was no material inconsistency between the accounting policies of the operating segment and the accounting policies described in Note 4.

The Company's operating segment information was as follows:

a. Segment revenues and results

	Segment Revenues For the Year Ended December 31		Segment Profit For the Year Ended December 31	
	2013	2012	2013	2012
Power supply	$ 11,392,839	$ 11,141,040	$ 250,353	$ 652,716
Others	688,249	750,349	(96,865)	(161,956)
Income from continuing operations	$ 12,081,088	$ 11,891,389	153,488	490,760
Other revenue			160,280	117,397
Other gain and loss			(13,071)	(131,221)
Financial cost			(8,867)	(4,532)
Investment income recognized under equity method, net			5,006	11,156
Income before income tax			$ 296,836	$ 483,560

b. Segment assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Power supply segment assets	$ 9,420,592	$ 8,642,846	$ 10,419,733
Other assets	908,337	930,929	226,576
Total assets	$ 10,328,929	$ 9,573,775	$ 10,646,309
Power supply segment liabilities	$ 4,287,005	$ 3,579,092	$ 3,838,089
Other liabilities	115,302	151,980	160,085
Total liabilities	$ 4,402,307	$ 3,731,072	$ 3,998,174

32. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation of financial information under IFRSs

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

b. Impact of the transition to IFRSs

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

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

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Assets						
Current assets					Current assets	
Cash and cash equivalents	$ 2,119,386	$ -	$ -	$ 2,119,386	Cash and cash equivalents	
Accounts receivable	1,936,108	-	-	1,936,108	Trade receivable	
Other financial assets, current	81,406	-	-	81,406	Other financial assets - current	
Inventories	2,080,000	-	-	2,080,000	Inventories	
Deferred income tax assets, current	55,860	-	(55,860)	-	-	5) a)
-	-	-	2,792	2,792	Prepaid rents	
Other current assets	219,118	-	-	219,118	Other current assets	
Total current assets	6,491,878	-	(53,068)	6,438,810	Total current assets	
Fund and investments					Non-current assets	
Available-for-sale financial assets, noncurrent	33,357	-	-	33,357	Available-for-sale financial assets - non-current	
Financial assets carried at cost, noncurrent	93,254	-	-	93,254	Financial assets carried at cost - non-current	
Long-term equity investments at equity method	355,603	-	-	355,603	Long-term equity investments at equity method	
Total fund and investments	482,214	-	-			
Property, plant and equipment	3,472,330	-	-	3,472,330	Property, plant and equipment	
Intangible assets						
Computer software cost	19,729	-	-	19,729	Other intangible assets	
Land use rights	117,778	-	(117,778)	-	-	5) e)
Total intangible assets	137,507	-	(117,778)			
Other assets						
-	-	1,466	66,030	67,496	Deferred income tax assets - non-current	5) a), 5) c)
Refundable deposits	32,438	-	(32,438)	-	-	
-	-	-	114,986	114,986	Long-term prepaid lease payment	5) e)
Others	18,306	-	32,438	50,744	Others non-current assets	
Total other assets	50,744	1,466	181,016	-	-	
-	-	-	-	4,207,499	Total non-current assets	
Total	$ 10,634,673	$ 1,466	$ 10,170	$ 10,646,309	Total	
Current liabilities					Current liabilities	
Accounts payable	$ 2,028,697	$ -	$ -	$ 2,028,697	Trade payable	
Accounts payable - related party	35,939	-	-	35,939	Trade payable - related party	
Income tax payable	204,632	-	-	204,632	Income tax payable	
Other payables	1,224,745	34,554	-	1,259,299	Other payables	5) b)
Other current liabilities	66,325	-	49,052	115,377	Other current liabilities	
Total current liabilities	3,560,338	34,554	49,052	3,643,944	Total current liabilities	
Long-term liabilities					Non-current liabilities	
Long-term debts	200,000	-	-	200,000	Long-term debts	
Other liabilities						
Accrued pension liabilities	64,648	8,622	-	73,270	Accrued pension liabilities	5) c)
Advance deposits received	1,128	-	(1,128)	-	-	
Deferred income tax liabilities, noncurrent	69,662	-	10,170	79,832	Deferred income tax liabilities - non-current	5) a)
Other	49,052	-	(47,924)	1,128	Other non-current liabilities	
Total other liabilities	184,490	8,622	(38,882)	-	-	
-	-	-	-	354,230	Total non-current liabilities	
Total liabilities	3,944,828	43,176	10,170	3,998,174	Total liabilities	
Stockholders' equity					Stockholders' equity	
Capital stock					Capital stock	
Common stock	2,749,329	-	-	2,749,329	Common stock	
Advanced collections for capital stock	16,154			16,154	Advanced collections for capital stock	
Capital surplus - share premium	937,770	(11,305)	-	926,465	Capital surplus - share premium	5) d)
Retained earnings	2,737,989	230,859	-	2,968,848	Retained earnings	4), 5) b), 5) c), 5) d)
Other equity					Other equity	
Cumulative translation adjustments	250,296	(250,296)	-	-	Cumulative translation adjustments	4)
Unrealized loss on financial instruments	(22,304)	-	-	(22,304)	Unrealized loss on financial instruments	
Unrealized revaluation increment	10,968	(10,968)	-	-	Unrealized revaluation increment	4)
Total stockholders' equity of parent company	6,680,202	(41,710)	-	6,638,492	Total stockholders' equity of parent company	
Minority interest	9,643	-	-	9,643	Non-controlling interest	
Total stockholders' equity	6,689,845	(41,710)	-	6,648,135	Total stockholders' equity	
Total	$ 10,634,673	$ 1,466	$ 10,170	$ 10,646,309	Total	

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

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Assets						
Current assets					Current assets	
Cash and cash equivalents	$ 1,543,288	$ -	$ -	$ 1,543,288	Cash and cash equivalents	
Accounts receivable	1,907,482	-	-	1,907,482	Trade receivable	
Other financial assets, current	54,641	-	-	54,641	Other financial assets - current	
Inventories	1,680,224	-	-	1,680,224	Inventories	
Deferred income tax assets, current	37,880	-	(37,880)	-	-	5) a)
-	-	-	2,788	2,788	Prepaid rents	
Other current assets	154,722	-	-	154,722	Other current assets	
Total current assets	5,378,237	-	(35,092)	5,343,145	Total current assets	
Fund and investments					Non-current assets	
Available-for-sale financial assets, noncurrent	30,620	-	-	30,620	Available-for-sale financial assets - non-current	
Financial assets carried at cost, noncurrent	90,945	-	-	90,945	Financial assets carried at cost - non-current	
Long-term equity investments at equity method	339,761	-	-	339,761	Long-term equity investments at equity method	
Total fund and investments	461,326	-	-			
Property, plant and equipment	3,517,009	-	-	3,517,009	Property, plant and equipment	
Intangible assets						
Computer software cost	42,760	-	-	42,760	Other intangible assets	
Land use rights	131,847	-	(131,847)	-	-	5) e)
Total intangible assets	174,607	-	(131,847)			
Other assets						
-	-	259	48,160	48,419	Deferred income tax assets - non-current	5) a), 5) c)
Refundable deposits	28,133	-	(28,133)	-	-	
-	-	-	129,059	129,059	Long-term prepaid lease payment	5) e)
Others	3,924	-	28,133	32,057	Others non-current assets	
Total other assets	-	259	177,219	-	-	
-	32,057	-	-	4,230,630	Total non-current assets	
Total	$ 9,563,236	$ 259	$ 10,280	$ 9,573,775	Total	
Current liabilities					Current liabilities	
Accounts payable	$ 2,088,302	$ -	$ -	$ 2,088,302	Trade payable	
Accounts payable - related party	48,320	-	-	48,320	Trade payable - related party	
Income tax payable	93,017	-	-	93,017	Income tax payable	
Other payables	1,026,344	32,076	-	1,058,420	Other payables	5) b)
Other current liabilities	45,078	-	49,052	94,130	Other current liabilities	
Total current liabilities	3,301,061	32,076	49,052	3,382,189	Total current liabilities	
Long-term liabilities					Non-current liabilities	
Long-term debts	200,000	-	-	200,000	Long-term debts	
Other liabilities						
Accrued pension liabilities	65,270	1,522	-	66,792	Accrued pension liabilities	5) c)
Advance deposits received	985	-	(985)	-	-	
Deferred income tax liabilities, noncurrent	69,552	-	10,280	79,832	Deferred income tax liabilities - non-current	5) a)
Other	50,326	-	(48,067)	2,259	Other non-current liabilities	
Total other liabilities	186,133	1,522	(38,772)	-	-	
-	-	-	-	348,883	Total non-current liabilities	
Total liabilities	3,687,194	33,598	10,280	3,731,072	Total liabilities	
Stockholders' equity					Stockholders' equity	
Capital stock					Capital stock	
Common stock	2,771,639	-	-	2,771,639	Common stock	
Capital surplus - share premium	960,920	(11,305)	-	949,615	Capital surplus - share premium	5) d)
Retained earnings	2,051,573	239,230	-	2,290,803	Retained earnings	4), 5) b), 5) c), 5) d)
Other equity					Other equity	
Cumulative translation adjustments	101,935	(250,296)	-	(148,361)	Cumulative translation adjustments	4)
Unrealized loss on financial instruments	(15,603)	-	-	(15,603)	Unrealized loss on financial instruments	
Unrealized revaluation increment	10,968	(10,968)	-	-	Unrealized revaluation increment	4)
Total stockholders' equity of parent company	5,881,432	(33,339)	-	5,848,093	Total stockholders' equity of parent company	
Minority interest	(5,390)	-	-	(5,390)	Non-controlling interest	
Total stockholders' equity	5,876,042	(33,339)	-	5,842,703	Total stockholders' equity	
Total	$ 9,563,236	$ 259	$ 10,280	$ 9,573,775	Total	

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

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Net sales	$ 11,882,539	$ -	$ 8,850	$ 11,891,389	Net sales	
Cost of goods sold	(9,580,840)	1,162	(8,850)	(9,588,528)	Cost of goods sold	5) b), 5) c), 5) f)
Gross profit	2,301,699	1,162	-	2,302,861	Gross profit	
Operating expenses					Operating expenses	
Sales and marketing	(776,550)	(20)	-	(776,570)	Sales and marketing	5) b), 5) c)
General and administration	(576,018)	(98)	15,954	(560,162)	General and administration	5) b), 5) c), 5) g)
Research and development	(477,023)	1,654	-	(475,369)	Research and development	5) b), 5) c)
Total	(1,829,591)	1,536	15,954	(1,812,101)	Total	

(Continued)

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to IFRSs: Recognition and Measurement Difference	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Note
Income from operations	$ 472,108	$ 2,698	$ 15,954	$ 490,760	Income from operations	
Nonoperating income and gains					Nonoperating income and gains	
Interest income	15,965	-	(15,965)	-	-	
Investment income recognized under equity method, net	11,156	-	-	11,156	Share of the profit of associates	
Dividend income	4,927	-	(4,927)	-	-	5) g)
Gain from recovery of bad debts	15,954	-	(15,954)	-	-	
Others	96,505	-	20,892	117,397	Others income	
Total	144,507	-	(15,954)			
Nonoperating expenses and losses						
Interest expense	(4,532)	-	-	(4,532)	Finance cost	
Loss on disposal of property, plant and equipment	(18,591)	-	18,591	-	-	
Foreign exchange loss, net	(92,840)	-	92,840	-	-	
Others	(19,790)	-	(111,431)	(131,221)	Others gain and loss	
Total	(135,753)	-	-	-		
-	-	-	-	(7,200)	Total nonoperating expenses	
Income before income tax	480,862	2,698	-	483,560	Income before income tax	
Income tax expense	(186,117)	(37)	-	(186,154)	Income tax expense	5) c)
Consolidated net income	$ 294,745	$ 2,661	$ -	297,406	Consolidated net income	
				(148,586)	Exchange differences on translating foreign operations	
				6,458	Unrealized gains on available-for-sale financial assets	
				243	Share of other comprehensive income of associates	
				6,880	Actuarial gain arising from defined benefit plans	
				(1,170)	Income tax relating to components of other comprehensive income	
				(136,175)	Total other comprehensive loss	
				$ 161,231	Total comprehensive income	

(Concluded)

4) Exemptions from IFRS 1

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

Business combinations

The Group elected not to apply IFRS 3, "Business Combinations," retrospectively to business combinations that occurred before the date of transition. Therefore, in the opening balance sheet, the amount of goodwill generated from past business combinations remains the same compared with the amount under ROC GAAP as of December 31, 2011.

Deemed cost

For certain freehold lands, the Group elected to use the ROC GAAP revalued amount at the date of transition to IFRSs as their deemed cost under IFRSs. For certain investment properties with sufficient evidence that those properties are continuously being rented out and can generate a stable cash flow in the medium or long-term, the Group elected to use their fair value at the date of transition as their deemed cost. For certain investment properties, the ROC GAAP revalued amount at the date of transition was used as their deemed cost under IFRSs. All other property, plant and equipment, investment properties and intangible assets applied IFRSs retrospectively.

Employee benefits

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

Cumulative translation differences

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

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

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

a) Deferred income tax asset/liability

Under ROC GAAP, valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under International Accounting Standards (IAS) 12 "Income Taxes," deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits; thus, valuation allowance account is not needed.

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

Under ROC GAAP, the current and noncurrent deferred tax liabilities and assets of the same taxable entity should be offset against each other and presented as a net amount. However, under IAS 12, an entity can offset current tax assets and current tax liabilities against each other only if the entity has a legally enforceable right to make this offset and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

b) Short-term employee benefits

Under ROC GAAP, there is no specific policy on short-term employee benefits, specifically paid vacation leaves, and the expenses for these leaves are recognized when employees actually go on leave. On transition to IFRSs, an entity should recognize the expected cost of paid vacation leaves as employees render services that increase their entitlement to these leaves.

c) Employee benefits - gain or loss on actuarial valuation on defined benefit plan

Under SFAS No. 18 - "Accounting for Pensions," unrecognized net transition obligation should be amortized over the expected average remaining working lives of employees. On the date of transition to IFRSs, the retained earnings should be adjusted for unrecognized transition obligation.

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

d) Investments and capital surplus - long-term equity investments when associates/subsidiaries issue new shares and the parent does not subscribe for these shares at its percentage of shares of the investee.

Under ROC GAAP, if an entity’s investment percentage increases or decreases as a result of not subscribing for new shares issued by an investee at its current percentage of ownership of the investee, the increase or decrease in the investor company`s equity is used to adjust “capital surplus - long-term equity investments” and “long-term equity investment.”

Under IFRSs, changes in equity in associates in which significant influence on the associates is retained are regarded as acquisition or disposal of shares in associates; however, changes in equity in subsidiaries in which control over the subsidiaries is retained are regarded as equity transactions. In addition, based on the “Q&A for adopting IFRSs” issued by the Taiwan Stock Exchange, accounts that do not conform to IFRSs or not covered under the Company Law as well as capital surplus items required by the Ministry of Economics Affairs should be adjusted to retained earnings at the date of transition to IFRSs.

e) Land use right

Under ROC GAAP, land use rights are recognized as intangible assets. Under IAS 17 “Leases,” land use rights should be classified under lease prepayments.

f) Allowance for sales returns and others

Under IFRSs, provision for estimated sales returns and others should be recognized as cost of goods sold instead of a reduction in revenue in the period.

g) Recovery from provision for loss on doubtful accounts

Under ROC GAAP, recovery from provision for loss on doubtful accounts was recognized as nonoperating income and gains; under IFRSs, the amount is reclassified to operating expense - general and administration under IFRSs.