Systex Corporation and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

SYSTEX CORPORATION

By

TSONG-JEN, HUANG
Chairman of the Board

March 20, 2014

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Systex Corporation

We have audited the accompanying consolidated balance sheets of Systex Corporation (the "Corporation") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements as of and for the year ended December 31, 2013 of Systex Software & Service Corporation, SoftMobile Technology Corporation, Rainbow Tech Information (HK) Limited and Systex Information (H.K.) Ltd., we did not audit the financial statements as of and for the year ended December 31, 2012 of Systex Software & Service Corporation, SoftMobile Technology Corporation, Chain Khan Technology Corporation, Rainbow Tech Information (HK) Limited and Systex Information (H.K.) Ltd., and we did not audit the balance sheets as of January 1, 2012 of Syspower Corporation and Smartnet Technology, the entities are all consolidated subsidiaries. The aggregate assets of these subsidiaries as of December 31, 2013, December 31 2012 and January 1 2012 amounted to NT$1,219,477 thousand, NT$766,819 thousand and NT$1,130,835 thousand, respectively, or about 6.65%, 4.42% and 6.40% of the respective consolidated assets. The aggregate net operating revenues of these subsidiaries in 2013 and 2012 were about NT$2,489,377 thousand and NT$850,796 thousand, respectively, or about 15.90% and 5.97% of the respective consolidated net operating revenues. We also did not audit the financial statements as of and for the year ended December 31, 2013 of AFE Solutions Limited, Bisnews International Limited and Forms Syntron Information (Shenzhen) Limited, and the financial statements as of and for the year ended December 31, 2012 of AFE Solutions Limited, Bisnews International Limited, Enrichment I Venture Capital Corporation and Forms Syntron Information (Shenzhen) Limited, the investments in which were accounted for by the equity method, as shown in the accompanying consolidated financial statements. The aggregate carrying values of these equity-method investments as of December 31, 2013, December 31, 2012, and January 1, 2012 were NT$1,009,355 thousand, NT$878,419 thousand, and NT$370,699 thousand, respectively, or about 5.50%, 5.06% and 2.10% of the respective consolidated assets. The amounts of the equity in their total comprehensive income were NT$153,055 thousand and NT$137,672 thousand, or about 14.50% and 2,254.70% of the total consolidated comprehensive income of 2013 and 2012, respectively. The subsidiaries and investees' financial statements were audited by other auditors whose reports have been furnished to us and, our opinion, insofar as it relates to the amounts included for these subsidiaries and investees, is based solely on the reports of the other auditors.

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 and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to in the first paragraph 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 Systex Corporation as of and for the years ended December 31, 2013 and 2012 on which we have issued a modified unqualified report.

March 20, 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.

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	December 31, 2013		December 31, 2012		January 1, 2012	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	$ 1,934,107	11	$ 1,971,533	11	$ 1,959,036	11
Financial assets at fair value through profit or loss (Notes 4 and 7)	4,738,080	26	3,850,966	22	5,007,590	28
Available-for-sale financial assets (Notes 4 and 8)	203,383	1	149,713	1	91,305	1
Notes receivable, net (Notes 4 and 9)	77,851	-	107,659	1	164,269	1
Accounts receivable, net (Notes 4, 5, 9, 23 and 24)	3,235,556	18	2,800,869	16	2,681,361	15
Other receivables (Notes 18 and 24)	233,381	1	373,373	2	441,453	2
Inventories (Notes 4, 5 and 10)	1,797,524	10	1,981,869	12	1,362,056	8
Prepayments	609,355	3	499,657	3	536,187	3
Refundable deposits - current (Note 25)	186,013	1	204,834	1	134,406	1
Other current assets	72,028	-	55,382	-	43,141	-
Total current assets	13,087,278	71	11,995,855	69	12,420,804	70
NON-CURRENT ASSETS						
Financial assets measured at cost - non-current (Notes 4 and 11)	552,902	3	577,003	3	503,478	3
Investments accounted for using equity method (Note 12)	1,268,976	7	1,179,805	7	1,235,913	7
Property, plant and equipment (Notes 4, 5, 13 and 24)	2,449,264	13	2,515,940	15	2,569,491	15
Computer software (Notes 4 and 5)	70,534	-	69,234	-	44,081	-
Goodwill (Notes 4 and 5)	395,329	2	399,436	2	266,747	2
Technological expertise (Notes 4 and 5)	40,992	-	242,339	1	262,431	1
Other intangible assets (Notes 4 and 5)	51,901	-	67,179	-	35,749	-
Deferred tax assets (Notes 4, 5 and 18)	74,637	1	112,308	1	132,233	1
Refundable deposits - non-current (Note 25)	97,487	1	97,703	1	119,201	1
Long-term receivables (Note 23)	161,028	1	-	-	8,323	-
Other non-current assets (Note 24)	87,476	1	108,689	1	64,748	-
Total non-current assets	5,250,526	29	5,369,636	31	5,242,395	30
TOTAL	$ 18,337,804	100	$ 17,365,491	100	$ 17,663,199	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Notes 14 and 24)	$ 474,648	3	$ 270,455	2	$ 143,554	1
Short-term bills payable (Note 14)	-	-	29,934	-	29,912	-
Notes and accounts payable (Note 23)	2,672,816	14	2,609,500	15	2,529,215	14
Other payables (Note 14)	807,897	4	759,550	4	775,127	4
Current tax liabilities (Notes 4 and 18)	61,119	-	41,786	-	45,356	-
Receipts in advance	855,438	5	757,383	4	830,214	5
Current portion of long-term bank loans (Notes 14 and 24)	6,692	-	6,692	-	7,377	-
Other current liabilities	107,169	1	108,015	1	87,239	1
Total current liabilities	4,985,779	27	4,583,315	26	4,447,994	25
NON-CURRENT LIABILITIES						
Long-term bank loans (Notes 14 and 24)	31,787	1	38,479	1	43,794	-
Deferred tax liabilities (Notes 18)	17,361	-	17,315	-	12,255	-
Accrued pension liabilities (Notes 4, 5 and 15)	190,858	1	188,343	1	161,777	1
Other non-current liabilities (Note 23)	8,271	-	9,557	-	9,714	-
Total non-current liabilities	248,277	2	253,694	2	227,540	1
Total liabilities	5,234,056	29	4,837,009	28	4,675,534	26
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 16)						
Share capital						
Common share	2,622,283	14	2,598,245	15	2,593,210	15
Advance receipts for common share	8,410	-	1,100	-	-	-
Total share capital	2,630,693	14	2,599,345	15	2,593,210	15
Capital surplus	8,486,264	46	8,880,385	51	9,303,391	53
Retained earnings						
Legal reserve	572,134	3	542,289	3	527,709	3
Special reserve	733,539	4	611,439	3	347,018	2
Unappropriated earnings	1,685,252	9	995,087	6	1,022,967	6
Total retained earnings	2,990,925	16	2,148,815	12	1,897,694	11
Other equity	(114,116)	-	(328,913)	(2)	(135,497)	(1)
Treasury shares	(1,053,466)	(6)	(1,053,466)	(6)	(1,053,466)	(6)
Total equity attributable to owners of the Corporation	12,940,300	70	12,246,166	70	12,605,332	72
NON-CONTROLLING INTERESTS	163,448	1	282,316	2	382,333	2
Total equity	13,103,748	71	12,528,482	72	12,987,665	74
TOTAL	$ 18,337,804	100	$ 17,365,491	100	$ 17,663,199	100

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

(With Deloitte & Touche audit report dated March 20, 2014)

SYSTEX CORPORATION AND SUBSIDIARIES

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

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4 and 23)				
Sales	$ 11,463,254	73	$ 10,123,513	71
Less: Sales returns and allowances	25,061	-	37,615	-
Net sales	11,438,193	73	10,085,898	71
Service revenue	4,139,240	26	4,065,072	28
Others	79,829	1	106,631	1
Total operating revenues	15,657,262	100	14,257,601	100
OPERATING COSTS (Notes 4, 10, 17 and 23)				
Cost of goods sold	9,770,370	63	8,715,491	61
Service cost	1,591,858	10	1,697,164	12
Others	24,478	-	31,373	1
Total operating costs	11,386,706	73	10,444,028	74
GROSS PROFIT	4,270,556	27	3,813,573	26
REALIZED GAIN ON TRANSACTIONS FROM ASSOCIATES (Notes 4 and 12)	3,843	-	3,844	-
REALIZED GROSS PROFIT	4,274,399	27	3,817,417	26
OPERATING EXPENSES (Notes 15, 16, 17 and 23)				
Selling expenses	2,921,557	19	2,726,457	19
General and administrative expenses	453,764	3	510,151	4
Research and development expenses	410,060	2	494,370	3
Total operating expenses	3,785,381	24	3,730,978	26
PROFIT FROM OPERATIONS	489,018	3	86,439	-
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates (Note 4)	79,272	1	127,494	1
Interest income (Note 4)	20,214	-	21,495	-
Dividend income (Note 4)	43,561	-	53,297	-
Other income, net (Note 24)	42,191	-	24,571	-
Gain on sale of investments, net (Notes 8 and 11)	30,785	-	100,513	1
Foreign exchange gain, net	3,500	-	7,744	-
Gain on financial assets at fair value through profit or loss, net (Note 4)	279,780	2	51,599	-

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SYSTEX CORPORATION AND SUBSIDIARIES

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

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
Other expenses	$ (17,859)	-	$ (16,813)	-
Loss on disposal of property, plant and equipment, net (Note 4)	(3,128)	-	(6,769)	-
Impairment loss on financial assets (Notes 4, 8 and 11)	(9,440)	-	(51,608)	-
Impairment loss on property, plant and equipment (Note 4)	-	-	(241)	-
Impairment loss on intangible assets (Note 4)	-	-	(55,959)	-
Interest expense	(18,164)	-	(15,218)	-
Total non-operating income and expenses	450,712	3	240,105	2
INCOME BEFORE INCOME TAX	939,730	6	326,544	2
INCOME TAX EXPENSE (Notes 4 and 18)	116,030	1	76,591	-
NET INCOME	823,700	5	249,953	2
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 16)				
Exchange differences on translating foreign operations	149,065	1	(194,602)	(2)
Unrealized gain on available-for-sale financial assets	54,788	1	10,169	-
Actuarial gain (loss) arising from defined benefit plans	638	-	(30,374)	-
Share of other comprehensive income (loss) of associates	27,815	-	(29,040)	-
Income tax relating to components of other comprehensive income	(358)	-	-	-
Other comprehensive income (loss) for the year, net of income tax	231,948	2	(243,847)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,055,648	7	$ 6,106	-
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	$ 830,540	5	$ 302,788	2
Non-controlling interests	(6,840)	-	(52,835)	-
	$ 823,700	5	$ 249,953	2

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

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

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,063,171	7	$ 65,586	-
Non-controlling interests	(7,523)	-	(59,480)	-
	$ 1,055,648	7	$ 6,106	-
EARNINGS PER SHARE (Note 19)				
Basic	$3.51		$1.29	
Diluted	$3.49		$1.29	

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

(With Deloitte & Touche audit report dated March 20, 2014) (Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation (Notes 4 and 16)													
	Share Capital				Retained Earnings				Other Equity					
	Common Share	Advance Receipts for Common Share	Total	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Instruments	Treasury Stock	Total	Non-controlling Interests (Note 17)	Total Equity
BALANCE, JANUARY 1, 2012	$ 2,593,210	$ -	$ 2,593,210	$ 9,303,391	$ 527,709	$ 347,018	$ 1,022,967	$ 1,897,694	$ (158,469)	$ 22,972	$ (1,053,466)	$ 12,605,332	$ 382,333	$ 12,987,665
Appropriation of earnings														
Legal reserve	-	-	-	-	14,580	-	(14,580)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	264,421	(264,421)	-	-	-	-	-	-	-
Distribution in cash of the capital surplus - NT$2 per share	-	-	-	(518,705)	-	-	-	-	-	-	-	(518,705)	-	(518,705)
Issuance of common stock for exercised employee stock options	5,035	1,100	6,135	10,265	-	-	-	-	-	-	-	16,400	-	16,400
Compensation recognized for employee stock options	-	-	-	36,394	-	-	-	-	-	-	-	36,394	-	36,394
Net income (loss) for 2012	-	-	-	-	-	-	302,788	302,788	-	-	-	302,788	(52,835)	249,953
Other comprehensive income (loss) for 2012	-	-	-	-	-	-	(43,786)	(43,786)	(193,387)	(29)	-	(237,202)	(6,645)	(243,847)
Total comprehensive income (loss) for 2012	-	-	-	-	-	-	259,002	259,002	(193,387)	(29)	-	65,586	(59,480)	6,106
Distribution in cash of the capital surplus received by subsidiaries from the Corporation	-	-	-	49,040	-	-	-	-	-	-	-	49,040	-	49,040
Differences between purchase price and carrying amount of shares in the acquisition of subsidiaries	-	-	-	-	-	-	(7,881)	(7,881)	-	-	-	(7,881)	(919)	(8,800)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(39,618)	(39,618)
BALANCE, DECEMBER 31, 2012	2,598,245	1,100	2,599,345	8,880,385	542,289	611,439	995,087	2,148,815	(351,856)	22,943	(1,053,466)	12,246,166	282,316	12,528,482
Appropriation of earnings														
Legal reserve	-	-	-	-	29,845	-	(29,845)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	122,100	(122,100)	-	-	-	-	-	-	-
Distribution in cash of the capital surplus - NT$2 per share	-	-	-	(521,440)	-	-	-	-	-	-	-	(521,440)	-	(521,440)
Issuance of common stock for exercised employee stock options	24,038	7,310	31,348	68,418	-	-	-	-	-	-	-	99,766	-	99,766
Compensation recognized for employee stock options	-	-	-	9,880	-	-	-	-	-	-	-	9,880	-	9,880
Net income (loss) for 2013	-	-	-	-	-	-	830,540	830,540		-	-	830,540	(6,840)	823,700
Other comprehensive income (loss) for 2013	-	-	-	-	-	-	17,834	17,834	160,423	54,374	-	232,631	(683)	231,948
Total comprehensive income (loss) for 2013	-	-	-	-	-	-	848,374	848,374	160,423	54,374	-	1,063,171	(7,523)	1,055,648
Distribution in cash of the capital surplus received by subsidiaries from the Corporation	-	-	-	49,021	-	-	-	-	-	-	-	49,021	-	49,021
Differences between purchase price and carrying amount of shares in the acquisition of subsidiaries	-	-	-	-	-	-	(6,264)	(6,264)	-	-	-	(6,264)	(936)	(7,200)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(110,409)	(110,409)
BALANCE, DECEMBER 31, 2013	$ 2,622,283	$ 8,410	$ 2,630,693	$ 8,486,264	$ 572,134	$ 733,539	$ 1,685,252	$ 2,990,925	$ (191,433)	$ 77,317	$ (1,053,466)	$ 12,940,300	$ 163,448	$ 13,103,748

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

(With Deloitte & Touche audit report dated March 20, 2014)

SYSTEX CORPORATION 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	$ 939,730	$ 326,544
Adjustments for		
Depreciation expenses	147,812	148,063
Amortization expenses	69,456	61,058
Provision for allowance for doubtful accounts	3,856	12,366
Gain on financial assets at fair value through profit or loss, net	(279,780)	(51,599)
Interest expense	18,164	15,218
Interest income	(20,214)	(21,495)
Dividend income	(43,561)	(53,297)
Compensation cost of employee share options	9,880	36,394
Share of profit of associates	(79,272)	(127,494)
Loss on disposal of property, plant and equipment, net	3,128	6,769
Gain on sale of investment, net	(9,765)	(8,790)
Impairment loss on available-for-sale financial assets	-	41,653
Impairment loss on financial assets measured at cost	9,440	9,955
Impairment loss on non-financial assets	-	56,200
(Reversal of) write-down of inventories	(18,971)	17,856
Realized gain on the transactions with associates	(3,843)	(3,844)
Unrealized loss (gain) on foreign currency exchange, net	(744)	155
Changes in operating assets and liabilities		
(Increase) decrease in financial assets held for trading	(569,966)	1,153,520
Decrease in notes receivable	29,808	56,610
Increase in accounts receivable	(409,418)	(119,378)
Decrease in other receivables	15,772	70,159
(Increase) decrease in inventories	213,508	(617,525)
(Increase) decrease in prepayments	(108,412)	46,452
Increase in other current assets	(3,773)	(12,491)
Increase in notes and accounts payable	46,466	83,936
Increase (decrease) in other payables	127,462	(26,604)
Increase (decrease) in receipts in advance	118,605	(76,594)
Increase in other current liabilities	(1,212)	22,217
Increase (decrease) in accrued pension liabilities	3,153	(11,220)
Cash generated from operations	207,309	1,034,794
Interest paid	(17,740)	(15,229)
Income tax paid	(59,366)	(57,497)
Net cash generated from operating activities	130,203	962,068
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	11,020	4,756
Purchase of financial assets measured at cost	-	(247,980)
Proceeds on sale of financial assets measured at cost	3,861	28,015
Return of capital from capital reduction of investees measured at cost	10,010	47,048
Proceeds from sale of investments accounted for using equity method	1,486	-
Net cash outflow on acquisition of subsidiaries	-	(321,691)

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SYSTEX CORPORATION AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2013	**2012**
Return of capital from capital reduction and liquidation of equity - accounted investees	$ 1,730	$ 54,048
Payments for property, plant and equipment	(79,651)	(103,860)
Proceeds from disposal of property, plant and equipment	1,539	870
Decrease (increase) in refundable deposits	19,352	(32,061)
Payments for intangible assets	(27,435)	(49,594)
Decrease (increase) in long-term receivables	(161,028)	8,323
Decrease in pledged time deposits	84,877	62,475
Decrease (increase) in time deposits with original maturities more than three months	6,157	(5,870)
Decrease (increase) in other non-current assets	3,212	(36,436)
Interest received	19,029	21,734
Dividends received	43,561	53,297
Dividends received from associates	104,428	4,499
Net cash generated from (used in) investing activities	42,148	(512,427)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	199,358	132,175
Increase in short-term bills payable	(30,190)	-
Decrease in long-term bank loans	(6,692)	(6,000)
Decrease in guarantee deposits received	(737)	(98)
Proceeds from exercise of employee stock options	99,766	16,400
Acquisition of subsidiaries' stock	(7,200)	(19,985)
Decrease in non-controlling interests	(30,782)	(28,251)
Distribution in cash of the capital surplus	(521,440)	(518,705)
Distribution in cash of the capital surplus received by subsidiaries from the Corporation	49,021	49,040
Net cash used in financing activities	(248,896)	(375,424)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	39,119	(61,720)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(37,426)	12,497
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,971,533	1,959,036
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,934,107	$ 1,971,533

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

(With Deloitte & Touche audit report dated March 20, 2014) (Concluded)

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

1. GENERAL INFORMATION

Systex Corporation (the "Corporation") was incorporated on January 7, 1997. The Corporation provides advanced software and information-based solutions, sells and leases computer hardware and software, and renders related services.

The shares of the Corporation had been traded on the Taiwan GreTai Securities Market since January 6, 2003. On December 30, 2010, the Corporation has changed the listing and trading of its shares to the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 20, 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 Corporation and its subsidiaries (the "Group") have not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) issued by the IASB. On January 28, 2014, the Financial Supervisory Commission (FSC) announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the consolidated financial statements were authorized for issue, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the "New IFRSs") included in the 2013 IFRSs version.

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
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011

(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 "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"	Not yet amended
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	Not yet amended
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 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 subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of reporting period. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

2) 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) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

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

5) Revision to IAS 19 “Employee Benefits”

Revision in 2011

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under current IAS 19 and accelerate the recognition of past service costs.

6) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment 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 such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

7) 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.

8) 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.

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.

c. The impact of the application of New IFRSs in issue but not yet effective on the Group's consolidated financial statements is as follows:

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Group's consolidated financial statements for the years ended December 31, 2013 are its first IFRS consolidated financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 29 for the impact of IFRS conversion on the Group's consolidated financial statements.

a. Statement of compliance

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

b. Basis of preparation

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

The opening consolidated balance sheets as of the date of transition to IFRSs were prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". The applicable IFRSs have been applied retrospectively by the Group except for some aspects where IFRS 1 prohibits retrospective application or grants optional exemptions to this general principle. For the exemptions that the Group elected, refer to Note 29.

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

Current assets include assets held primarily for the purpose of trading and those expected to be realized within twelve months after the reporting period and cash and cash equivalents; all other assets such as property, plant, and equipment are classified as non-current. Current liabilities include liabilities due to be settled within twelve months after the reporting period. All other liabilities are classified as non-current.

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

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

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

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

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

Non-controlling interests are presented separately from equity attributable to owners of the Corporation.

<u>Attribution of total comprehensive income to non-controlling interests</u>

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

<u>Changes in the Group’s ownership interests in existing subsidiaries</u>

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

The acquisition of equity interest in subsidiaries from other subsidiaries is considered as restructuring of entities under common control. Thus, the subsidiaries’ shares held by the Corporation are recorded at the carrying amount (reduced for asset impairment, if any). The difference between the carrying amount and consolidation transferred is recognized in stockholders’ equity.

2) Subsidiaries included in the consolidated financial statements (the relationship of companies as of December 31, 2013 is presented in the accompanying Table 1)

Investor	Investee	Main Business	% of Ownership December 31, 2013	% of Ownership December 31, 2012	% of Ownership January 1, 2012	Remark
The Corporation	Concord System Management Corporation (CSMC)	Design of computer system and application software, data-processing services, sale and lease of computer hardware and software	100.0	100.0	100.0	
The Corporation	Systex Capital Group Inc. (SCGI)	Investment activities	100.0	100.0	100.0	
The Corporation	Hanmore Investment Corporation (Hanmore)	Investment activities	48.9	48.9	48.9	
The Corporation	Systex Software & Service Corporation (SSSC)	Sale and development of computer software, data-processing services	100.0	100.0	100.0	
The Corporation	Golden Bridge Corporation (GBC)	Investment activities	100.0	100.0	100.0	
The Corporation	Taifon Computer Co., Ltd. (Taifon)	Computer system integration services, sale of computer hardware and software	100.0	100.0	100.0	
The Corporation	Ching Pu Investment Corporation (Ching Pu)	Investment activities	100.0	100.0	100.0	
The Corporation	Kimo.com (BVI) Corporation (Kimo BVI)	Investment activities	100.0	100.0	100.0	
The Corporation, Ching Pu and GBC	Syspower Corporation (Syspower)	Computer system integration services, sale of computer hardware and software	84.1	84.1	81.2	
The Corporation	Nexsys Corporation (Nexsys)	Sale and development of computer software, data-processing services	100.0	100.0	-	a)
The Corporation	Chain Khan Technology Corporation (CKT)	Sale and development of computer software, and related consultation services	-	76.0	51.0	b)
GBC	SoftMobile Technology Corporation (Soft Mobile)	Sale and development of computer software, data-processing services	100.0	100.0	99.5	
Taifon	Systex Solutions Corporation (Systex Solutions)	Computer system integration services, sale of computer hardware and software	100.0	100.0	100.0	
Ching Pu	TaiwanPay Corporation (TaiwanPay)	Sale and development of computer software, data-processing services	-	-	58.3	c)
Ching Pu	Taiwan Electronic Data Processing Corporation (TEDP)	Computer system integration services, sale of computer hardware and software	69.6	69.6	69.6	
TEDP	Medincom Technology Corporation (Medincom)	Computer system integration services, sale of computer hardware and software	100.0	100.0	100.0	
TEDP	TEDPC Information (HK) Limited (TEDP HK)	Investment activities	100.0	100.0	100.0	
Kimo BVI	Sysware Singapore Pte. Ltd. (Sysware Singapore)	Computer system integration services, sale of computer hardware and software	100.0	100.0	100.0	
Kimo BVI	Sysware (Thailand) Co., Ltd. (Sysware Thailand)	Computer system integration services, sale of computer hardware and software	100.0	100.0	100.0	
Kimo BVI	PT. Sysware Indonesia (Sysware Indonesia)	Computer system integration services, sale of computer hardware and software	99.7	99.7	99.7	
Kimo BVI	Systex Information (H.K.) Limited (Systex Info)	Sale and development of computer hardware and software, data-processing services	100.0	100.0	100.0	
Kimo BVI	ICT-Systex Information Systems Co., Ltd. (ICT Systex)	Sale and development of computer hardware and software, data-processing services	-	49.0	49.0	d)
Kimo BVI	Sysware Shenglong Information Systems Co., Ltd. (Sysware Shenglong)	Sale and development of computer hardware and software, data-processing services	100.0	100.0	100.0	
Kimo BVI	UCOM Information Ltd. (Shanghai) (UCOM Shanghai)	Sale and development of computer software, data-processing services	100.0	100.0	100.0	
Kimo BVI	Systek Information (Shanghai) Ltd. (Systek)	Computer system integration services, sale of computer hardware and software	100.0	100.0	100.0	

(Continued)

Investor	Investee	Main Business	% of Ownership December 31, 2013	December 31, 2012	January 1, 2012	Remark
Kimo BVI	Rainbow Tech Information (HK) Limited (RTIHK)	Computer system integration services, sale of computer hardware and software	100.0	100.0	-	e)
Kimo BVI	Systex Solutions (HK) Limited	Investment activities	100.0	100.0	100.0	
Kimo BVI	Systex SDC China Ltd. (SDC)	Sale and development of computer software, data-processing services	-	-	100.0	f)
Kimo BVI	Cloudena (Cayman) Inc. (Cloudena Cayman)	Investment activities	-	100.0	100.0	g)
Syspower	Smartnet Technology Co., Ltd. (Smartnet)	Electronic commerce	100.0	100.0	100.0	
The Corporation and Cloudena Cayman	Cloudena Corporation (Cloudena)	Data-processing services, sale of computer software	-	100.0	100.0	h)
ICT-Systex	Beijing Yisheng Financial and Economic Information Consulting Co., Ltd. (Yisheng)	Sale and development of computer hardware and software, data-processing services	-	100.0	100.0	d)
Sysware Shenglong	Optima Financial Software Company (Optima)	Sale and development of computer hardware and software, data-processing services	100.0	100.0	100.0	
Systex info	Systex Group (China) Ltd. (Sytex Group)	Enterprise management and consultancy services, marketing, financial management services	100.0	100.0	-	i)
Systek and UCOM Shanghai	Rainbow Tech (Guangzhou) Inc. (RTGI)	Computer system integration services, sale of computer hardware and software	100.0	100.0	100.0	

(Concluded)

a) The Corporation acquired 100% equity interest of Nexsys in September 2012.

b) CKT was merged into CSMC in October 2013.

c) TaiwanPay was completed liquidation process in June 2012.

d) The Group expects to dispose equity interest in ICT-Systex (and Yisheng). As a result, the investees had been classified as non-current assets held for sale (included in other current assets) in October 2013.

e) RTIHK was incorporated in July 2012.

f) SDC was merged into Systek in December 2012.

g) Cloudena Cayman was completed liquidation process in December 2013.

h) The Corporation transferred 11.1% equity interest of Cloudena to Cloudena Cayman in June 2012. The difference between consideration transferred (total of $9,970 thousand) and carrying amount was recognized in capital surplus from long-term investments. After this transfer, Cloudena Cayman holds 100% equity interest of Cloudena. Cloudena was completed liquidation process in June 2013.

i) Systex Group was incorporated in November 2012.

All accounts of subsidiaries were included in consolidated financial statements for the years ended December 31, 2013 and 2012.

Among the abovementioned entities, the financial statements as of and for the year ended December 31, 2013 of Sysware Singapore, Sysware Thailand, and Sysware Indonesia, and the financial statements as of and for the year ended December 31, 2012 of Sysware Singapore, Sysware Thailand, Sysware Indonesia, and Yisheng, were not audited. The aggregate assets of these subsidiaries as of December 31, 2013, December 31, 2012, and January 1, 2012 amounted to $127,204 thousand, $70,656 thousand and $97,980 thousand, respectively, which were about

0.69%, 0.41% and 0.55% of the respective consolidated assets, and the aggregate liabilities amounted to $26,297 thousand, $28,180 thousand and $32,950 thousand, respectively, which were about 0.50%, 0.58% and 0.70% of the respective consolidated liabilities. The aggregate net operating revenues of these subsidiaries in 2013 and 2012 amounted to $212,554 thousand and $155,641 thousand, respectively, which were about 1.36% and 1.09% of the respective consolidated net operating revenues, and the aggregate amounts of comprehensive loss amounted to $4,421 thousand and $13,883 thousand in 2013 and 2012, respectively, which were about (0.42%) and (227.37%) of the respective consolidated total comprehensive income. The Corporation believes that any adjustment that might have resulted had the financial statements of these subsidiaries been audited would not be material to the consolidated financial statements taken as a whole.

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess are recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests are initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

f. Foreign currencies

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

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

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income attributed to the owners of the Corporation and non-controlling interests as appropriate.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired in the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign operation involving loss of control or significant influence over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation is reclassified to profit or loss.

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

g. Cash equivalents

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

h. Inventories

Inventories are stated at the lower of cost (monthly weighted average) or net realizable value. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale. Write-down of inventories and any reversal of write-down are recorded as cost of goods sold for the period.

i. 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. Significant influence means to have the authority of participating in investee’s financial and management policy decision, but not to control or jointly control the policy.

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

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

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

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

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

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

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

Stock dividends received are not recorded as investment income. They are recognized only as increases in the number of shares held.

j. Property, plant, and equipment

Property, plant and equipment are tangible assets which are expected to be held over one period for use in manufacturing, service providing, leasing and management. Property, plant and equipment are stated at cost, less recognized accumulated depreciation and recognized accumulated impairment loss when it is probable that the future economic benefits associated with these assets will flow to the Group and the cost of those assets can be measured reliably.

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method, the balance in assets estimated useful life (building - 19 to 60 years, computer equipment and other equipment - 3 to 7 years, transportation equipment - 5 to 6 years, assets under finance leases - 2 to 5 years, leasehold improvements - 2 to 5 years or the period of lease shorter), which was amortization averagely that assets cost less salvage value. 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.

k. Goodwill

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

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

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

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

l. Intangible assets

1) Intangible assets acquired separately

Intangible assets (computer software) 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 assets cost less salvage value is amortized on a straight-line basis over the estimated useful life of assets (2 to 10 years). 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.

2) Intangible assets acquired in a business combination

Intangible assets (technological expertise and client relationship) acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment loss, on the same basis as intangible assets that are acquired separately. Technological expertise and client relationship are amortized on a straight-line basis over 10 years and 5 years, respectively.

3) Derecognition of intangible assets

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

m. 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 Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual or smallest group of cash-generating units on a reasonable and consistent allocation basis.

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

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

n. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

o. 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. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group's financial assets are financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes stocks, depositary receipts, corporate bonds, mutual funds that are non-derivative assets held for trading and traded in an active market. The financial assets are held for short-term trading purposes.

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

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either not classified as loans and receivables or financial assets at fair value through profit or loss.

Listed stocks held by the Group that are traded in an active market are classified as available-for-sale financial assets and are measured fair value at the end of each reporting period.

Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

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 presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit and loss or other comprehensive income.

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 accounts receivable, cash and cash equivalent, and time deposits with original maturated more than three months) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

The effective interest method is a technique for calculating the amortized cost of debt instruments and for allocating interest income to relevant time periods.

The effective interest rate is the rate which is used in discounting the expected future cash inflows (including payables or receivables, expenses, transaction costs and other premiums or discounts). After the calculation, the discounted value is exactly the same with the book value recognized initially.

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

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

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

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

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

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account 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 except for uncollectible accounts receivable that are written off against the allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

Equity instruments issued by the group entity are presented at the net value of corresponding asset and liability. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

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

Treasury stock is stated at cost and shown as a deduction in stockholders' equity.

When the Corporation retires treasury stock, the treasury stock account is reduced, and the capital surplus - additional paid-in capital and the capital account are reversed on a pro rata basis. The carrying value of treasury stock in excess of the sum of its par value and premium on stock is first offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, is debited to retained earnings. If this sum exceeds carrying value, the excess is credited to capital surplus from the treasury stock transactions.

The Corporation's stock held by its subsidiaries is treated as treasury stock and is accounted for on the basis of the carrying value (available-for-sale financial assets) multiplied by the Corporation's proportionate share as of the date when the Corporation acquired controlling interest in the subsidiary. The remainder is treated as a recovery from available-for-sale financial assets of the non-controlling interests' investment in a subsidiary and reclassified as a deduction under non-controlling interests.

Cash dividends and distribution in cash of capital surplus received by subsidiaries from the Corporation are adjusted to capital surplus from treasury stock transactions.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

The Corporation derecognizes financial liabilities when, and only when, the Corporation'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.

p. Revenue recognition

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

Revenues from sales of computer hardware and software are recognized when the items, and the risks and rewards associated with the items are transferred to the customers. Revenue from integrated hardware and software solutions are generally recognized by reference to the stage of completion of the contract terms.

Service income is generally recognized when service is rendered or is recognized over the term of the service contract under the straight-line method or the percentage-of-completion method. Contract profit for the current period is the difference between the cumulative profit at the end of the current period and the cumulative profit recognized in the prior periods. However, if the cumulative profit recognized in prior periods is greater than the cumulative profit calculated using the percentage of completion method at the end of the current period, the excess should be recognized as a loss in the current period and recorded in the operating costs.

Other revenue is mainly the Corporation's rental revenue on operating leases of computer equipment, which is recognized over the term of the lease.

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

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

q. Leasing

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

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

r. Retirement benefit costs

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

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

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

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

s. Employee share options

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

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

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

t. 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 carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, personnel training expenditures and investments 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, 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of accounts 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.

b. Write-down of inventory

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

c. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

d. Impairment of property, plant and equipment and intangible assets

The impairment of assets was based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and may lead to recognition of additional or reversal of impairment losses.

e. Income taxes

No deferred tax asset has been recognized on tax losses, investment credits and deductible temporary differences due to the unpredictability of future profit streams (please refer to Note 8). The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are different from expected, a material adjustment of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such an adjustment takes place.

f. Recognition and measurement of defined benefit plans

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

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 2,344	$ 1,970	$ 2,277
Checking and savings accounts	1,055,406	1,152,061	930,888
Cash equivalent			
Time deposits with original maturities less than three months	876,357	817,502	1,025,871
	$ 1,934,107	$ 1,971,533	$ 1,959,036
Market interest rate interval			
Time deposits with original maturities less than three months	0.70%-3.20%	0.30%-3.05%	0.15%-3.10%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held for trading			
Mutual funds	$ 4,070,966	$ 3,162,052	$ 4,340,264
Corporation bonds	468,707	466,150	470,450
Listed shares and TDR	198,407	222,764	196,876
	$ 4,738,080	$ 3,850,966	$ 5,007,590

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Listed shares	$ 203,383	$ 149,713	$ 91,305

The Group disposed of certain available-for-sale financial assets and recognized the following gains (losses) on disposal:

	For the Year Ended December 31	
	2013	2012
Gain (loss) on disposal	$ 4,474	$ (12)

In 2012, the Group assessed the recoverable amount of the available-for-sale financial assets and recognized an impairment loss of $41,653 thousand.

9. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable	$ 78,082	$ 107,890	$ 164,526
Less: Allowance for doubtful accounts	(231)	(231)	(257)
	$ 77,851	$ 107,659	$ 164,269
Accounts receivable (Note 23)	$ 3,359,289	$ 2,944,393	$ 2,820,428
Less: Allowance for doubtful accounts	(123,733)	(143,524)	(139,067)
	$ 3,235,556	$ 2,800,869	$ 2,681,361

The average credit period on accounts receivable was 78 days. In determining the recoverability of accounts receivable, the Group considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. Based on the historical experience, the risk of non-collection of receivable was higher when the receivables were not collected on due date. The Group assessed the receivables individually and recognized an allowance for doubtful accounts of 100% against receivables that are irrecoverable. Allowance for doubtful accounts was recognized against other receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The aging of receivables that were past due but not impaired (based on invoice date) was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
91-120 days	$ 170,817	$ 172,004	$ 134,050
121-180 days	107,765	71,386	109,780
181-360 days	87,782	50,251	56,296
Over 361 days	40,335	20,479	25,087
	$ 406,699	$ 314,120	$ 325,213

Because there was no significant change in credit quality and the amounts were still considered recoverable, the Group did not hold any collateral or other credit enhancements for these balances. In addition, the Group does not have the legal right to offset receivables with accounts payable with the same counterparty.

The Group's transactions were made with a large number of unrelated customers; thus, the concentration of credit risk was limited.

Movements of the allowance for doubtful receivables

	For the Year Ended December 31	
	2013	**2012**
Balance, beginning of year	$ 143,755	$ 139,324
Write-off	(24,469)	(7,142)
Provision	3,856	12,366
Effect of exchange rate changes	822	(793)
Balance, end of year	$ 123,964	$ 143,755

10. INVENTORIES

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Merchandise	$ 1,767,237	$ 1,953,253	$ 1,334,999
Maintenance parts	30,287	28,616	27,057
	$ 1,797,524	$ 1,981,869	$ 1,362,056

As of December 31, 2013, December 31, 2012 and January 1, 2012, the allowance for inventory devaluation was $131,074 thousand, $151,875 thousand and $153,948 thousand, respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2012 was $9,770,370 thousand which included $18,971 thousand reversal of write-downs of inventories and $8,715,491 thousand which included $17,856 thousand write-downs of inventories, respectively.

11. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Classified according to financial asset measurement categories			
Unlisted common shares	$ 517,427	$ 537,398	$ 448,265
Unlisted preference shares	15,364	17,338	23,047
Others	20,111	22,267	32,166
	$ 552,902	$ 577,003	$ 503,478

The Group held more than 20% of the stock with voting rights of SuperGeo Technologies Inc., but they had no significant influence over this investee. Thus, this equity investment was recorded as a financial asset measured at cost.

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

The Group disposed of certain financial assets measured at cost and recognized gain on disposal as follow:

	For the Year Ended December 31	
	2013	2012
Gain on disposal	$ 2,755	$ 8,802

The Group determined the occurrence of other than temporary decline in value of financial assets measured at cost and calculated impairment losses on these assets. Thus, the Group recognized additional impairment losses of $9,440 thousand and $9,955 thousand in 2013 and 2012, respectively.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31, 2013	December 31, 2012	January 1, 2012
Unlisted common stocks			
Forms Syntron Information (Shenzhen) Limited	$ 688,615	$ 592,954	$ 518,183
AFE Solutions Limited	270,906	214,374	245,384
Investment Media Ltd.	92,241	87,391	86,286
Systemweb Technologies Co., Ltd.	71,847	69,664	69,673
Bisnews International Limited	49,834	67,384	75,959
E-Customer Capital Limited	39,832	38,495	41,108
Sanfran Technologies Inc.	31,007	23,285	21,344
Systex Data Management & Integration Service Corporation, Shanghai	15,643	77,167	107,816
Systex Data Management & Integration Service Corporation, Beijing	5,954	6,132	15,422
Systex Infopro Co., Ltd.	3,097	3,095	3,165
Enrichment I Venture Capital Corporation	-	3,707	49,356
Rimage Information Technology (Shanghai) Co., Ltd.	-	-	9,904
Elegance Technology Inc.	-	-	-
Allied Info Inc.	-	-	-
	1,268,976	1,183,648	1,243,600
Less: Unrealized gain of goods sold	-	(3,843)	(7,687)
	$ 1,268,976	$ 1,179,805	$ 1,235,913

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

	December 31, 2013	December 31, 2012	January 1, 2012
Unlisted common stocks			
Forms Syntron Information (Shenzhen) Limited	26.6%	26.6%	26.6%
AFE Solutions Limited	49.0%	49.0%	49.0%
Investment Media Ltd.	40.0%	40.0%	40.0%
Systemweb Technologies Co., Ltd.	35.0%	35.0%	35.0%
Bisnews International Limited	49.0%	49.0%	49.0%
E-Customer Capital Limited	23.5%	23.5%	23.5%
Sanfran Technologies Inc.	15.0%	15.0%	15.0%
Systex Data Management & Integration Service Corporation, Shanghai	49.0%	49.0%	49.0%
Systex Data Management & Integration Service Corporation, Beijing	21.4%	21.4%	21.4%
Systex Infopro Co., Ltd.	20.0%	20.0%	20.0%
Enrichment I Venture Capital Corporation	-	43.4%	43.4%
Rimage Information Technology (Shanghai) Co., Ltd.	-	49.0%	49.0%
Elegance Technology Inc.	24.6%	24.6%	24.6%
Allied Info Inc.	-	-	30.0%

The Group exercised significant influence on Sanfran Technologies Inc. in spite of holding less than 20% of its equity. Therefore, the investment was accounted for using the equity method.

Kimo BVI acquired 30% equity of Allied Info Inc. (Allied Info) in 2010. Forms Syntron Information (Shenzhen) Limited (Forms Syntron Shenzhen) and Forms Syntron Information (Hong Kong) Limited (Forms Syntron Hong Kong) were wholly owned by Allied Info. For reorganization purpose, Allied Info was dissolved and Forms Syntron Hong Kong became wholly owned subsidiary of Forms Syntron Shenzhen in 2011. As of December 31, 2012, Allied Info had completed the liquidation process, and Kimo BVI's subsidiary, Systex Solutions (HK) Limited owned 26.6% equity of Forms Syntron Shenzhen.

Enrichment I Venture Capital Corporation went into liquidation in March 2013 and distributed the remaining assets to the Group in May 2013.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$ 3,573,116	$ 3,262,347	$ 2,996,837
Total liabilities	$ 826,397	$ 806,124	$ 717,140

	For the Year Ended December 31	
	2013	2012
Revenue	$ 2,820,207	$ 2,529,911
Net income for the year	$ 464,220	$ 436,019
Other comprehensive income (loss)	$ 22,204	$ (69,534)

Except for E-Customer Capital Limited, Sanfran Technologies Inc., Systex Infopro Co., Ltd. and Enrichment I Venture Capital Corporation for the year ended December 31, 2013, and E-Customer Capital Limited, Systex Infopro Co., Ltd. for the year ended December 31, 2012, investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited. Management believes the financial statements that have not been audited would not have material impact on the investments under equity method or the share of profit or loss and other comprehensive income in the consolidated financial statements.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Computer Equipment	Transportation Equipment	Assets under Financial Leases	Leasehold Improvements	Other Equipment	Total
Cost								
Balance at January 1, 2012	$ 1,081,458	$ 1,572,140	$ 342,993	$ 14,252	$ 169,227	$ 79,306	$ 124,913	$ 3,384,289
Acquisitions of subsidiaries	-	-	2,015	-	1,021	-	5,823	8,859
Additions	-	-	70,647	1,986	19,563	5,028	6,636	103,860
Disposals	-	(74)	(126,331)	(1,127)	(50,127)	(16,086)	(33,223)	(226,968)
Reclassification	-	-	27,557	(1,600)	(175)	6,042	(10,572)	21,252
Effect of foreign currency exchange differences	(61)	(11,386)	(2,359)	(102)	-	(968)	(1,684)	(16,560)
Balance at December 31, 2012	$ 1,081,397	$ 1,560,680	$ 314,522	$ 13,409	$ 139,509	$ 73,322	$ 91,893	$ 3,274,732
Accumulated depreciation and impairment								
Balance at January 1, 2012	$ 14,853	$ 399,655	$ 201,762	$ 6,251	$ 76,068	$ 46,648	$ 69,561	$ 814,798
Additions	-	25,176	58,064	2,112	31,765	12,206	18,740	148,063
Disposals	-	(74)	(122,134)	(859)	(50,122)	(15,226)	(30,914)	(219,329)
Impairment losses	-	-	-	-	-	230	11	241
Reclassification	-	-	17,334	(1,391)	(87)	2,880	364	19,100
Effect of foreign currency exchange differences	-	(980)	(1,129)	(73)	-	(809)	(1,090)	(4,081)
Balance at December 31, 2012	$ 14,853	$ 423,777	$ 153,897	$ 6,040	$ 57,624	$ 45,929	$ 56,672	$ 758,792
Carrying amounts at January 1, 2012	$ 1,066,605	$ 1,172,485	$ 141,231	$ 8,001	$ 93,159	$ 32,658	$ 55,352	$ 2,569,491
Carrying amounts at December 31, 2012	$ 1,066,544	$ 1,136,903	$ 160,625	$ 7,369	$ 81,885	$ 27,393	$ 35,221	$ 2,515,940
Cost								
Balance at January 1, 2013	$ 1,081,397	$ 1,560,680	$ 314,522	$ 13,409	$ 139,509	$ 73,322	$ 91,893	$ 3,274,732
Additions	-	-	46,497	-	9,958	6,236	16,960	79,651
Disposals	-	-	(45,250)	(889)	(6,079)	(18,437)	(15,031)	(85,686)
Reclassification	-	-	(27,471)	-	6,694	(16,314)	(495)	(37,586)
Effect of foreign currency exchange differences	-	16,513	1,528	162	-	659	1,802	20,664
Balance at December 31, 2013	$ 1,081,397	$ 1,577,193	$ 289,826	$ 12,682	$ 150,082	$ 45,466	$ 95,129	$ 3,251,775
Accumulated depreciation and impairment								
Balance at January 1, 2013	$ 14,853	$ 423,777	$ 153,897	$ 6,040	$ 57,624	$ 45,929	$ 56,672	$ 758,792
Additions	-	25,266	63,759	2,055	33,077	10,762	12,893	147,812
Disposals	-	-	(43,878)	(614)	(6,079)	(16,966)	(13,482)	(81,019)
Reclassification	-	-	(15,416)	-	3,263	(16,314)	596	(27,871)
Effect of foreign currency exchange differences	-	1,748	966	68	-	639	1,376	4,797
Balance at December 31, 2013	$ 14,853	$ 450,791	$ 159,328	$ 7,549	$ 87,885	$ 24,050	$ 58,055	$ 802,511
Carrying amounts at December 31, 2013	$ 1,066,544	$ 1,126,402	$ 130,498	$ 5,133	$ 62,197	$ 21,416	$ 37,074	$ 2,449,264

The Group uses revalued amounts under ROC GAAP as deemed cost of above assets at the transition date on January 1, 2012 (please refer to Note 9).

Refer to Note 24 for the carrying amount of property, plant and equipment pledged to secure borrowings of the Group.

14. BORROWINGS

a. Short-term loans

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured bank loans	$ 195,000	$ 95,005	$ 55,000
Secured bank loans	279,648	175,450	88,554
	$ 474,648	$ 270,455	$ 143,554
Annual interest rate			
Unsecured bank loans	1.50%-2.45%	2.00%-7.18%	2.25%-2.60%
Secured bank loans	1.95%-6.60%	6.60%	7.22%-8.21%

Accounts receivable, property, plant and equipment - land and buildings and one employee’s real estate served as collaterals for the above secured bank loans.

b. Short-term bills payable

	December 31, 2013	December 31, 2012	January 1, 2012
Commercial paper issued	$ -	$ 30,000	$ 30,000
Less: Unamortized discount on commercial paper issued	-	66	88
	$ -	$ 29,934	$ 29,912
Annual interest rate	-	2.23%-2.28%	2.24%

The above commercial papers issued were guaranteed or accepted by local bills finance corporation.

c. Long-term bank loans

	December 31, 2013	December 31, 2012	January 1, 2012
Secured bank loans (quarterly repayment from July 2004 to July 2019)	$ 38,479	$ 45,171	$ 51,171
Less: Current portion	6,692	6,692	7,377
	$ 31,787	$ 38,479	$ 43,794

Property, plant and equipment - land and buildings served as collaterals for the above secured bank loans.

15. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

Based on the defined contribution plan under the Labor Pension Act, which applies only to the Corporation and domestic subsidiaries, the rate of the required monthly contributions to the employees’ individual pension accounts is at 6% of salaries and wages. The Group recognized pension costs of $96,456 thousand and $96,972 thousand in 2013 and 2012, respectively.

Systex Information (H.K.) Limited, Rainbow Tech Information (HK) Limited, ICT-Systex Information Systems Co., Ltd., Beijing Yisheng Financial and Economic Information Consulting Co., Ltd., Systek Information (Shanghai) Ltd., UCOM Information Ltd. (Shanghai), Sysware Shenglong Information Systems Co., Ltd., Optima Financial Software Company, Rainbow Technology (Guangzhou) Inc., Systex Group (China) Ltd., Sysware Singapore Pte. Ltd., Sysware (Thailand) Co., Ltd., and PT. Sysware Indonesia make monthly contributions to a pension fund according to their local government regulations. These subsidiaries recognized pension costs of $26,061 thousand and $27,721 thousand in 2013 and 2012, respectively.

Defined Benefit Plans

The Corporation and its domestic subsidiaries adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation and its domestic subsidiaries contribute 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 amounts of pension funds included the amounts from the companies merged into the Corporation as well as the pension fund of $10,614 thousand, $10,479 thousand and $10,379 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, from ULSTEK Co., Ltd. (ULSTEK). Pension funds of ULSTEK were pending approval of the relevant authority-in-charge to combine with the Corporation's pension account.

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

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Discount rate	1.750%-2.150%	1.375%-1.750%	1.750%
Expected rate of return on plan assets	1.250%-2.000%	1.750%-2.000%	2.000%
Expected rate of salary increase	1.000%-2.500%	1.000%-2.375%	1.000%-2.500%

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

	For the Year Ended December 31	
	2013	**2012**
Current service cost	$ 3,053	$ 2,941
Interest cost	8,341	6,374
Expected return on plan assets	(5,857)	(5,211)
Past service cost	2,338	(908)
Losses arising from settlement	7,011	-
	$ 14,886	$ 3,196
An analysis by function		
Selling expenses	$ 8,522	$ 1,492
Administration expenses	$ 4,568	$ 1,287
Research and development expenses	$ 1,796	$ 417

Actuarial gains (losses) recognized in other comprehensive income for the years ended December 31, 2013 and 2012 were $280 thousand and $(30,374) thousand, respectively. The cumulative amount of actuarial gains (losses) recognized in other comprehensive income as of December 31, 2013 and 2012 was $(30,094) thousand and $(30,374) thousand, respectively.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded defined benefit obligation	$ 435,974	$ 468,355	$ 440,498
Fair value of plan assets	(260,454)	(297,346)	(296,963)
Deficit	175,520	171,009	143,535
Past service cost not yet recognized	15,338	17,334	18,242
Net liability arising from defined benefit obligation	$ 190,858	$ 188,343	$ 161,777

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

	For the Year Ended December 31	
	2013	2012
Opening defined benefit obligation	$ 468,355	$ 440,498
Current service cost	3,053	2,941
Interest cost	8,341	6,374
Actuarial losses/(gains)	(2,885)	27,897
Past service cost	3,246	-
Liabilities extinguished on settlements	(30,109)	-
Liabilities assumed in a business combination	-	7,003
Benefits paid	(14,027)	(16,358)
Closing defined benefit obligation	$ 435,974	$ 468,355

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

	For the Year Ended December 31	
	2013	2012
Opening fair value of plan assets	$ 297,346	$ 296,963
Expected return on plan assets	5,857	5,211
Actuarial losses	(2,247)	(2,477)
Contributions from the employer	11,733	14,352
Benefits paid	(52,235)	(17,211)
Assets acquired in a business combination	-	508
Closing fair value of plan assets	$ 260,454	$ 297,346

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

	December 31, 2013	December 31, 2012	January 1, 2012
Cash	22.17	23.39	23.87
Debt instruments	9.83	11.07	11.58
Equity instruments	43.64	38.29	40.75
Others	24.36	27.25	23.80
	100.00	100.00	100.00

The Group chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 435,974	$ 468,355	$ 440,498
Fair value of plan assets	$ 260,454	$ 297,346	$ 296,963
Deficit	$ 175,520	$ 171,009	$ 143,535
Experience adjustments on plan liabilities	$ (2,885)	$ 27,897	$ -
Experience adjustments on plan assets	$ (2,247)	$ (2,477)	$ -

The Group expects to make a contribution of $12,125 thousand and $15,491 thousand, respectively to the defined benefit plans during the annual period beginning after 2013 and 2012.

16. EQUITY

Share Capital

	December 31, 2013	December 31, 2012	January 1, 2012
Numbers of common shares authorized (in thousands)	400,000	400,000	400,000
Common shares authorized	$ 4,000,000	$ 4,000,000	$ 4,000,000
Number of common shares issued (in thousands)	262,228	259,825	259,321
Common shares issued	$ 2,622,283	$ 2,598,245	$ 2,593,210

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

Stock-based Compensation Plan

For the Corporation to retain its quality professionals for its business and operations and deepen the employees' sense of belonging, the Corporation adopted stock option plans (the "Plans") - which the board of directors approved on March 19, 2010 and March 19, 2007 - to grant employees 10,000 units and 9,500 units of stock options, respectively. Each unit represented 1,000 common shares of the Corporation. The Securities and Futures Bureau under the Financial Supervisory Commission, Executive Yuan of the ROC approved the Plans on April 12, 2010 and June 14, 2007, respectively.

The Corporation issued 6,800 units, 3,200 units, 425 units, 4,440 units and 4,635 units on February 17, 2011, May 10, 2010, June 12, 2008, January 16, 2008 and September 19, 2007, respectively.

The option rights were granted to qualified employees of the Corporation and its subsidiaries. The option rights are valid for 5 years and exercisable at certain percentages after the second anniversary of the grant date. The exercise price of the stock option right is equal to the closing price of the Corporation's common shares listed on the Taiwan Stock Exchange on the date of the grant. If the number of the Corporation's common shares changes after the granting of the stock option, the exercise price will be revised in accordance with the terms of the Plans.

The outstanding employee stock options in 2013 and 2012 were as follows:

Employee Stock Option	2013 Number of Outstanding Options	2013 Weighted-average Exercise Price (NT$)	2012 Number of Outstanding Options	2012 Weighted-average Exercise Price (NT$)
Beginning outstanding balance	10,100.3	$ 34.97	13,677.8	$ 37.62
Options forfeited	(300.0)	$ 33.90	(952.5)	$ 35.47
Options exercised	(3,134.8)	$ 31.83	(613.5)	$ 26.63
Decrease due to capital reduction	(141.5)	$ 27.00	(2,011.5)	$ 39.10
Ending outstanding balance	6,524.0	$ 33.93	10,100.3	$ 34.97
Ending exercisable balance	4,274.0		2,755.3	

As of December 31, 2013, outstanding employee stock options were as follows:

Range of Exercise Price (NT$)	Number of Outstanding Options	Weighted-average Remaining Life (Years)	Weighted-average Exercise Price of Outstanding Options (NT$)	Number of Exercisable Options	Weighted-average Exercise Price (NT$)
$ 34.00	1,842	1.35	$ 34.00	1,842	$ 34.00
$ 33.90	4,682	2.13	$ 33.90	2,432	$ 33.90

Options granted in 2011, 2010 and 2008 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	Issued on February 17, 2011	Issued on May 10, 2010	Issued on June 12, 2008	Issued on January 16, 2008
Grant-date share price (NT$)	$40.50	$42.70	$28.00	$30.80
Exercise price (NT$)	$33.90	$34.00	$23.90	$27.00
Expected volatility	37.24%-37.76%	39.20%-39.45%	32.80%-32.96%	32.29%-32.51%
Expected life (years)	3.5-4 years	3.5-4 years	2.25-3.25 years	2.25-3.25 years
Expected dividend yield	-	-	-	-
Risk-free interest rate	1%-1.045%	0.69%-0.87%	2.59%	2.46%

The compensation cost of employee stock option was $9,880 thousand and $36,394 thousand in 2013 and 2012, respectively.

Capital Surplus

	December 31, 2013	December 31, 2012	January 1, 2012
Additional paid-in capital	$ 7,434,927	$ 7,854,090	$ 8,358,116
Treasury stock transactions	973,122	924,101	875,061
Gain on sale of property and equipment	4,493	4,493	4,493
Donations	544	544	544
Employee stock options	73,178	97,157	65,177
	$ 8,486,264	$ 8,880,385	$ 9,303,391

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation's paid-in capital and once a year).

The capital surplus from employee stock options may not be used for any purpose.

Appropriation of Earnings and Dividend Policy

The Corporation's Articles of Incorporation provide that the annual net income (less any deficit) after allocations of 10% as legal reserve and of special reserve should be appropriated as follows:

a. No less than 0.1% as bonus to employees;
b. No less than 2% as remuneration to directors;
c. The remainder, to be distributed to the stockholders or retained by the Corporation.

The employees who qualify for the distribution of earnings as stock bonus include employees of the Corporation's affiliates who meet certain criteria.

Following its Articles of Incorporation and considering the overall environment, growth trends in the industry, and the Corporation's long-term financial planning and ongoing goal to have steady progress, the Corporation applies its residual dividends policy as follows:

a. Determine the appropriate capital budget.

b. Determine the funds needed for the capital budget.

c. Determine the amount to be funded by unappropriated earnings (the remaining may be funded through capital increase by cash or through issuance of bonds).

d. The remaining retained earnings, less an appropriate portion for the operational needs, may be distributed to stockholders.

The Corporation's dividends may be distributed in cash or stocks. The distribution of profits shall be made preferably by way of cash dividends. The distribution could also be made by way of stock dividends, but not to exceed 50% of the total distributed cash and stock dividends. In addition, dividend policy depends on criteria such as the Corporation's current and future investment environment, cash requirements, domestic and international competition, capital budget, etc. Further, the Corporation evaluates stockholders' interests and balances dividends and its long-term financial goals. Annually, the board of directors prepares a proposal on earnings appropriation for approval at the stockholders' meeting.

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

Under the local regulations, an amount equal to the net debit balance of shareholders' other equity items (including exchange differences on translating foreign operations and unrealized gain (loss) on available-for-sale financial assets) shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated before January 1, 2012 shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under Rule No. 1010012865 issued by the FSC, on the first-time adoption of IFRSs, a corporation should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the corporation's use of exemptions under IFRS 1. However, at the date of transitions to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not sufficient for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated on the first-time adoption of IFRSs may be used to offset deficits in subsequent years. No appropriation of earnings shall be made until any shortage of the aforementioned special reserve is appropriated in subsequent years if the corporation has earnings and the original need to appropriate a special reserve is not eliminated.

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

If the Corporation's shares are held by its subsidiaries at the end of the year and the market value of the shares held are lower than their carrying value, the Corporation should provide a special reserve equal to the difference between the book value and market value multiplied by its percentages of ownership in the subsidiaries. The amount of the special reserve may be reversed in proportion to the percentages of ownership in the subsidiaries when the market value of the shares has increased.

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

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

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2012	**For Year 2011**	**For Year 2012**	**For Year 2011**
Special reserve	$ 29,845	$ 14,580	$ -	$ -
Legal reserve	122,100	264,421	-	-
	$ 151,945	$ 279,001	$ -	$ -

The stockholders also resolved the distribution in cash of the capital surplus from shares issued in excess of par in the above stockholders' meeting. The distribution amounted to $521,440 thousand and $518,705 thousand at NT$2 per share, respectively.

There were no bonus to employees and remuneration to directors for the year ended December 31, 2011 because no earnings can be distributed after legal reserve and special reserve were appropriated. Bonus to employees and remuneration to directors for 2012 resolved in the stockholders' meeting held on June 21, 2013 were $147 thousand and $2,930 thousand, respectively. There was no difference between the amounts of the bonus to employees and the remuneration to directors approved in the shareholders' meeting and the amounts recognized in the financial statements.

For the year ended December 31, 2013, the bonus to employees and the remuneration to directors were $1,348 thousand and $26,956 thousand, respectively. Under the Articles of Incorporation, the estimated amounts of the bonus to employees and the remuneration to directors were 0.1% and 2%, respectively, of net income (net of 10% legal reserve and special reserve).

Material differences between the 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 stock bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the stock 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.

The appropriations of earnings for 2013 had been proposed by the board of directors on March 20, 2014 as follows:

	Appropriation of Earnings
Legal reserve	$ 83,054
Reversal of special reserve	733,539

In addition, the board of directors proposed in the same meeting the distribution in cash of the capital surplus from shares issued in excess of par. The distribution amounted to $795,358 thousand at NT$3 per share.

The appropriations of 2013 earnings and distribution of capital surplus will be resolved by the stockholders in their meeting scheduled for June 2014.

Information about the appropriations of earnings and distribution of capital surplus are available on the Market Observation Post System website of the Taiwan Stock Exchange.

Others Equity Items

a. Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2013	**2012**
Balance, beginning of year	$ (351,856)	$ (158,469)
Exchange differences arising on translating the foreign operations	149,610	(195,920)
Share of exchange difference of associates accounted for using the equity method	10,813	2,533
Balance, end of year	$ (191,433)	$ (351,856)

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

	For the Year Ended December 31	
	2013	**2012**
Balance, beginning of year	$ 22,943	$ 22,972
Unrealized gain arising on revaluation of available-for-sale financial assets	54,374	51,353
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	-	(9,729)
Transferred to profit or loss	-	(41,653)
Balance, end of year	$ 77,317	$ 22,943

Treasury Stock

Purpose of Treasury Stock	Number of Shares, Beginning of Year	Addition During the Year	Reduction During the Year	Number of Shares, End of Year
2013 and 2012				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury stock	24,520	-	-	24,520

The Corporation's shares held by subsidiaries at end of reporting period were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Hanmore			
Share (in thousand)	23,586	23,586	23,586
Investments cost	$ 1,061,524	$ 1,108,676	$ 1,155,848
Market value	$ 1,582,599	$ 777,148	$ 750,025
Ching Pu			
Share (in thousand)	12,982	12,982	12,982
Investments cost	$ 436,096	$ 462,049	$ 488,011
Market value	$ 871,057	$ 427,740	$ 412,811

The carrying value of Hanmore's investment in the Corporation's shares represents the investment cost; the Corporation reclassified carrying amount of $565,455 thousand (11,538 thousand shares), representing 48.9% ownership in Hanmore, into treasury stock on December 31, 2013, December 31, 2012 and January 1, 2012. Hanmore's remaining shares in the Corporation are treated as investment of non-controlling interests.

The Corporation's shares held by its subsidiaries are recorded as treasury stocks, with the subsidiaries having the same rights as other common stockholders on these shares, except that the subsidiaries which are owned by the parent company for over 50% will not have the right to participate in any share issuance for cash or to vote.

Non-controlling Interests

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ 282,316	$ 382,333
Attributable to non-controlling interests:		
Share of loss for the year	(6,840)	(52,835)
Exchange difference arising on translation of foreign entities	(545)	1,318
Unrealized gains (loss) on available-for-sale financial assets	414	(7,706)
Actuarial loss on defined benefit plans	(552)	(257)
Cash dividends received from subsidiaries	(15,306)	(34,714)
Return of capital upon subsidiaries' capital reduction	(39,560)	-
Return of capital upon subsidiaries' capital liquidation	-	(17,632)

(Continued)

	For the Year Ended December 31	
	2013	2012
Acquisition of non-controlling interests in the subsidiary (Chain Khan)	$ (936)	$ (827)
Acquisition of non-controlling interests in the subsidiary (Soft Mobile)	-	(92)
Acquisition of non-controlling interests in the subsidiary (Syspower)	-	(11,366)
Non-controlling interests arising from distribution in cash of the capital surplus received by subsidiaries from the Corporation	24,084	24,094
The subsidiaries reclassified as non-current assets held for sale attributed to non-controlling interests	(79,627)	-
Balance, end of year	$ 163,448	$ 282,316

(Concluded)

17. DEPRECIATION, AMORTIZATION AND EMPLOYEE BENEFITS EXPENSES

a. Depreciation and amortization

	For the Year Ended December 31	
	2013	2012
Property, plant and equipment	$ 147,812	$ 148,063
Intangible assets	69,456	61,058
	$ 217,268	$ 209,121
An analysis of depreciation by function		
Operating costs	$ 54,271	$ 54,895
Operating expenses	93,541	93,168
	$ 147,812	$ 148,063
An analysis of amortization by function		
Operating costs	$ 6,052	$ 5,533
Operating expenses	63,404	55,525
	$ 69,456	$ 61,058

b. Employee benefits expenses

	For the Year Ended December 31	
	2013	2012
Post-employment (Note 15)		
Defined contribution plans	$ 122,517	$ 124,693
Defined benefits plans	14,886	3,196
	137,403	127,889
Share-based payments	9,880	36,394
Termination benefits	19,507	21,164
Payroll and other employee benefits	2,664,644	2,557,203
	$ 2,831,434	$ 2,742,650
An analysis of employee benefits expense by function		
Operating expenses	$ 2,831,434	$ 2,742,650

18. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2013	2012
Current tax		
In respect of the current year	$ 60,018	$ 47,536
Income tax expense of unappropriated earnings	14,848	482
In respect of prior periods	3,805	2,105
	78,671	50,123
Deferred tax	37,359	26,468
Income tax expense recognized in profit or loss	$ 116,030	$ 76,591

Income tax payable as of December 31, 2013 and 2012 was net of prepaid income taxes of $13,563 thousand and $4,357 thousand, respectively.

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

	For the Year Ended December 31	
	2013	2012
Profit before tax from continuing operations	$ 939,730	$ 326,544
Income tax expense calculated at the statutory rate (17%)	159,754	55,512
Tax effects of adjusting item:		
Nondeductible expenses in determining taxable income	311	759
Temporary difference	(2,321)	17,511
Tax-exempt income	(46,565)	(34,154)
Unrecognized loss carryforwards	31,246	70,762
Additional income tax on unappropriated earnings	14,848	482
Loss carryforwards used	(8,007)	(5,036)
Investment credits used	(33,229)	(23,095)
Current tax expense	116,037	82,741
Deferred income tax	37,359	26,468
Effect of different tax rate of group entities operating in other jurisdictions	(41,171)	(34,723)
Adjustments for prior years' tax	3,805	2,105
Income tax expense recognized in profit or loss	$ 116,030	$ 76,591

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

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2013	2012
Deferred tax		
Actuarial gains on defined benefit plan	$ (358)	$ -

c. Current tax assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Current tax assets (included in other receivables)			
Tax refund receivable	$ 985	$ 295	$ 242
Current tax liabilities			
Income tax payable	$ 61,119	$ 41,786	$ 45,356

d. The movements of deferred tax assets and liabilities

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				
Unrealized cost of sales	$ 21,476	$ (167)	$ -	$ 21,309
Allowance for loss on inventories	20,920	(3,286)	-	17,634
(Deferred revenue	6,355	(3,332)	-	3,023
Payable for annual leave	3,863	(717)	-	3,146
Defined benefit obligation	525	212	(358)	379
Others	5,270	(64)	-	5,206
	58,409	(7,354)	(358)	50,697
Investment credits	53,899	(29,959)	-	23,940
	$ 112,308	$ (37,313)	$ (358)	$ 74,637
Deferred tax liabilities				
Temporary differences				
Goodwill	$ 11,472	$ -	$ -	$ 11,472
Exchange differences on foreign operations	4,969	-	-	4,969
Others	874	46	-	920
	$ 17,315	$ 46	$ -	$ 17,361

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				
Unrealized cost of sales	$ 24,460	$ (2,984)	$ -	$ 21,476
Allowance for loss on inventories	22,439	(3,002)	1,483	20,920
Deferred revenue	8,808	(2,453)	-	6,355
Payable for annual leave	3,626	237	-	3,863
Defined benefit obligation	583	(58)	-	525
Others	6,675	(1,405)	-	5,270
	66,591	(9,665)	1,483	58,409
Investment credits	65,642	(11,743)	-	53,899
	$ 132,233	$ (21,408)	$ 1,483	$ 112,308
Deferred tax liabilities				
Temporary differences				
Goodwill	$ 10,507	$ 965	$ -	$ 11,472
Exchange differences on foreign operations	-	4,969	-	4,969
Others	1,748	(874)	-	874
	$ 12,255	$ 5,060	$ -	$ 17,315

e. Unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31, 2013	December 31, 2012	January 1, 2012
Loss carryforwards			
Expire in 2012	$ -	$ -	$ 10,240
Expire in 2013	-	65,993	161,736
Expire in 2014	43,415	65,270	122,809
Expire in 2015	76,120	76,445	110,704
Expire in 2016	154,215	151,915	137,791
Expire in 2017	152,964	152,537	136,512
Expire in 2018	96,434	19,457	38,839
Expire in 2019	122,266	118,548	130,581
Expire in 2020	26,717	19,687	20,992
Expire in 2021	4,316	20,939	21,937
Expire in 2022	78,060	172,902	-
Expire in 2023	32,401	-	-
	$ 786,908	$ 863,693	$ 892,141
Investment credits			
Equity investment	$ 10,103	$ 44,049	$ 35,100
Research and development expense	-	31,203	40,895
	$ 10,103	$ 75,252	$ 75,995

f. Information about unused investment credits and unused loss carryforward

As of December 31, 2013, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Act for promotion of private participation in infrastructure project	Investment in private	$ 34,043	$ 34,043	2015

Loss carryforwards as of December 31, 2013 comprised of:

Expiry Year	Total Credit
2014	$ 43,415
2015	76,120
2016	154,215
2017	152,964
2018	96,434
2019	122,266
2020	26,717
2021	4,316
2022	78,060
2023	32,401
	$ 786,908

g. Integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
Imputation credits accounts	$ 217,553	$ 193,453	$ 163,191

The creditable ratio for distribution of earnings of 2013 and 2012 was 12.03% (estimate) and 11.82%, respectively.

For distribution of earnings, the ratio of the imputation credits allocated to stockholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2013 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

h. Income tax assessments

Income tax returns through 2012 and undistributed earnings through 2011 of Systex Software & Service Corporation, Cloudena Corporation, Taifon Computer Co., Ltd., Systex Solutions Corporation and SoftMobile Technology Corporation., income tax returns through 2011, and undistributed earnings returns through 2010 of the Corporation, TaiwanPay Corporation, Hanmore Investment Corporation, Taiwan Electronic Data Processing Corporation, Ching Pu Investment Corporation, Concord System Management Corporation, Chain Khan Technology Corporation, Medincom Technology Corporation, Syspower Corporation, Smartnet Technology Co., Ltd., and Nexsys Corporation, and income tax returns through 2011 of Golden Bridge Corporation have been assessed by the tax authorities.

Under the tax regulations of the People’s Republic of China, foreign companies may receive the following tax benefits: In the first year of profit after years of losses, net income may be used to offset prior years’ losses. After prior losses are fully utilized, companies are tax-exempt in their next two profitable years. In the next three years, the companies may get 50% deduction on their taxes.

UCOM Information Ltd. (Shanghai), Systek Information (Shanghai) Ltd., ICT-Systex Information Systems Co., Ltd., Beijing Yisheng Financial and Economic Information Consulting Co., Ltd., Optima Financial Software Company and Sysware Shenglong Information Systems Co., Ltd. have started using these tax benefits from the start of 2008.

Systex Capital Group Inc., Cloudena (Cayman) Inc. and Kimo.com (BVI) Corporation, subsidiaries of the Corporation, are exempt from income tax under their local government regulations.

19. EARNINGS PER SHARE

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

	For the Year Ended December 31	
	2013	**2012**
Net income for the year		
Net income for the period attributable to owners of the Corporation	$ 830,540	$ 302,788
Number of shares (thousand)		
Weighted average number of common shares in the computation of basic earnings per share	$ 236,590	$ 234,867
Effect of potentially dilutive ordinary shares:		
Employee stock option	1,406	158
Bonus issue to employees	20	4
Weighted average number of common shares in the computation of diluted earnings per share	238,016	235,029

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

The pro forma net income and earnings per share, assuming the Corporation's stocks held by subsidiaries were treated as investment instead of treasury stock, were as follows:

	For the Year Ended December 31	
	2013	**2012**
Net income for the year		
Net income for the period attributable to owners of the Corporation	$ 830,540	$ 302,788
Number of shares (thousand)		
Weighted average number of common shares in the computation of pro forma earnings per shares	261,110	259,387
Effect of potentially dilutive ordinary shares:		
Employee stock option	1,406	158
Bonus issue to employees	20	4
Weighted average number of common shares in the computation of pro forma diluted earnings per shares	262,536	259,549

(Continued)

	For the Year Ended December 31	
	2013	2012
Earnings per share (NT$)		
Basic earnings per shares	$ 3.18	$ 1.17
Dilutive earning per share	$ 3.16	$ 1.17

(Concluded)

20. BUSINESS COMBINATIONS

The Corporation acquired 100% equity of Nexsys Corporation in September 2012. The fair values of the acquired assets and liabilities were as follows:

Cash and cash equivalents	$ 93,309
Notes and accounts receivable, net	54,282
Inventories	25,562
Other receivables	15,042
Prepayment and other current assets	7,777
Property, plant and equipment	8,859
Deferred tax assets	1,483
Identifiable intangible assets (except for goodwill)	82,278
Refundable deposits - non-current	17,417
Notes and accounts payable	(26,524)
Receipts in advance	(6,334)
Other payables and other current liabilities	(18,519)
Other liabilities (included accrued pension liabilities)	(7,435)
Net assets	247,197
Percentage of ownership acquired	100.0%
	247,197
Consideration transferred	(415,000)
Goodwill	$ (167,803)

Nexsys Corporation was acquired in order to continue the expansion of the Group's scale of operation and promote operating performance.

Acquisition-related costs amounting to $1,499 thousand were excluded from the consideration transferred and recognized as other expense in the current year.

Goodwill was recognized in the acquisition of Nexsys Corporation because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Nexsys Corporation. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The operating revenue from acquired corporation was $112,523 thousand and the net income from acquired corporation was $17,146 thousand since the acquisition date to December 31, 2012.

Had this business combination been in effect at the beginning of the annual reporting period, the pro forma operating revenue from the acquired company would have been $139,252 thousand, and the pro forma net income from acquired corporation would have been $23,463 thousand since January 1, 2012 to the acquisition date. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2012, nor is it intended to be a projection of future results.

21. CAPITAL MANAGEMENT

The capital structure of the Group consists of debt and equity of the Group (comprising issued capital, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on a periodic basis. As part of this review, the Corporation considers the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

22. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets			
Fair value through profit or loss (FVTPL)			
Held for trading	$ 4,738,080	$ 3,850,966	$ 5,007,590
Loans and receivables (1)	6,038,737	5,680,009	5,577,329
Available-for-sale financial assets (2)	756,285	726,716	594,783
Financial liabilities			
Amortized cost (3)	4,002,111	3,724,167	3,538,693

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, deposits maturated over three months (included in other current assets), notes receivable, accounts receivable, refundable deposits - current, other receivables, lease receivables - current (included in other current assets), refundable deposits - non-current, long-term receivables, pledged time deposits - non-current (included in other non-current assets) and lease receivables - non-current (included in other non-current assets).

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, notes and accounts payable, other payables, guarantee deposits received, long-term bank loans and long-term payables to related parties (included in other non-current liabilities).

b. Financial risk management objectives and policies

The Group’s main target of financial risk management is to manage the market risk related to operating activity (including foreign currency risk and interest rate risk), credit risk and liquidity risk. To reduce the potential and detrimental influence of the fluctuations in market on the Group’s financial performance, the Group follows procedures to identify, estimate and hedge the uncertainties of the market.

The Group’s significant financial activity is reviewed and approved by the board of directors and audit committee in compliance with related regulations and internal control policy, and the authority and responsibility are delegated according to the operating procedures.

1) Market risk

a) Foreign currency risk

The Group had foreign currency sales, purchases and borrowings, which were exposed primarily to the financial risks of changes in foreign currency exchange rates. The Group monitored the exchange rate fluctuations in timely manner and regulated foreign currency position to reduce the influence of the exchange rate fluctuations on the Group's income.

The sensitivity analysis focused on outstanding foreign currency denominated monetary assets and monetary liabilities (mainly USD and RMB) at the end of the reporting period. A positive number below indicates a decrease/increase in pre-tax loss associated with New Taiwan dollars strengthening/weakening 5% against the relevant currency.

	For the Year Ended December 31	
	2013	**2012**
USD		
Increase (decrease)/decrease (increase)	$ (6,178)	$ 1,429
RMB		
Increase/decrease	17,769	14,165

b) Interest rate risk

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

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Fair value interest rate risk			
Financial assets	$ 876,357	$ 817,502	$ 1,025,871
Financial liabilities	474,648	300,389	173,466
Cash flow interest rate risk			
Financial assets	1,055,406	1,152,061	930,888
Financial liabilities	38,479	45,171	51,171

The Group acquired better interest rate through long-term cooperation with banks; therefore, the effect of interest rate movement is immaterial.

The sensitivity analyses below were determined based on financial assets and financial liabilities with floating interest rates at the end of reporting period.

If interest rates had been 10 basis points (0.1%) higher/lower, the Group's pre-tax net income effect would have been as follows:

	For the Year Ended December 31	
	2013	**2012**
Decrease/increase	$ 1,017	$ 1,107

c) Other price risk

The Group was exposed to equity price risk through its investments in listed shares, TDR, corporate bonds and mutual funds. The Group runs a control system to mitigate the price risk, and management does not anticipate any material loss due to this risk.

The sensitivity analyses of the above investment were determined based on financial assets which were measured at fair value at the end of reporting period.

If market prices had been 5% higher/lower, the effects on the Group's pre-tax net income and other comprehensive income would have been as follows:

	For the Year Ended December 31	
	2013	**2012**
Pre-tax net income		
Increase/decrease	$ 236,904	$ 192,548
Other comprehensive income		
Increase/decrease	10,169	7,486

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Croup if the counterparties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk.

The Group has delegated a department responsible for managing accounts receivable, establishing credit limits, credit approvals and other monitoring procedures to ensure the profitability of the Group. The Group only transacts with creditworthy financial institutions to reduce credit risk.

The Group is exposed to market risk as a result of price fluctuations. The Group runs a control system to mitigate this risk, and management does not anticipate any material loss due to this risk.

3) Liquidity risk

The Group has put in place inventory management system, procedures for collections and payments, and develops cash flow forecast to ensure the liquidity of operating capital. In addition, the Group invests idle funds in short-term market under consideration of liquidity, security and profitability. The Group also maintains banking facilities to ensure the liquidity of cash.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual terms.

	Less than 1 Year	**1-5 Years**	**5+ Years**	**Total**
Non-derivative financial liabilities				
Short-term bank loans	$ 474,648	$ -	$ -	$ 474,648
Long-term bank loans	6,692	31,787	-	38,479
	$ 481,340	$ 31,787	$ -	$ 513,127

The Group has sufficient working capital to meet the cash needs for their operations. Thus, no material liquidity risk is anticipated. In addition, the Group's investments in mutual funds and listed shares are publicly-traded in an active market and can readily be sold in the market at their approximate fair values. However, the Group also invested in unlisted stocks with significant liquidity risks because these assets do not have quoted market prices in an active market.

c. Fair value of financial instruments

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

Except that fair value of financial assets measured at cost could not be reliably measured, the management 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 subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

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

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

December 31, 2013

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets FVTPL				
Non-derivative financial assets held for trading	$ 4,738,080	$ -	$ -	$ 4,738,080
Available-for-sale financial assets				
Listed shares	203,383	-	-	203,383
	$ 4,941,463	$ -	$ -	$ 4,941,463

December 31, 2012

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets FVTPL				
Non-derivative financial assets held for trading	$ 3,850,966	$ -	$ -	$ 3,850,966
Available-for-sale financial assets				
Listed shares	149,713	-	-	149,713
	$ 4,000,679	$ -	$ -	$ 4,000,679

January 1, 2012

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets FVTPL				
Non-derivative financial assets held for trading	$ 5,007,590	$ -	$ -	$ 5,007,590
Available-for-sale financial assets				
Listed shares	91,305	-	-	91,305
	$ 5,098,895	$ -	$ -	$ 5,098,895

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

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

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

a) The fair values of financial assets and financial liabilities (including listed shares and mutual funds) with standard terms and conditions and traded in active liquid markets were determined with reference to quoted market prices;

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

23. TRANSACTIONS WITH RELATED PARTIES

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

a. Operating transaction

	For the Year Ended December 31	
Related Parties Types	**2013**	**2012**
Operating revenues, net		
Associates	$ 60,544	$ 8,583
Purchase, net		
Associates	$ 141,576	$ 120,720
Service cost		
Associates	$ 19,429	$ 19,481
Operating expenses		
Associates	$ 136	$ 142
Other revenue, net		
Associates	$ -	$ 111
Acquisition of property, plant and equipment and intangible assets		
Associates	$ 3,625	$ 712

Balances of related parties' transactions at the end of reporting period were as follows:

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Receivables from related parties			
Associates	$ 59,344	$ 9,614	$ 21,134
Less: Long-term receivables	-	-	8,323
	$ 59,344	$ 9,614	$ 12,811

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Payables to related parties			
Associates	$ 53,654	$ 64,423	$ 27,174
Investors that have significant influence over the subsidiaries	-	600	600
	$ 53,654	$ 65,023	$ 27,774

The product/service sales and purchase transactions with related parties were conducted underpricing terms similar to those for third parties, i.e., for purchases or sales of similar products/services, except those transactions on products/services with special specifications. Settlement terms for related-party transactions were similar to those for third parties.

b. Compensation of key management personnel

The details of the compensation to directors and other key management personnel were as follows:

	For the Year Ended December 31	
	2013	2012
Short-term employee benefits	$ 125,361	$ 93,342
Termination benefits	3,239	2,795
Post-employment benefits	-	6,865
Share-based payments	6,108	5,414
	$ 134,708	$ 108,416

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

24. PLEDGED ASSETS

The following assets were pledged as collateral for bank loans, performance bonds, and import duty guarantee.

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivable, net	$ -	$ -	$ 16,385
Property, plant and equipment - land	107,194	107,194	107,194
Property, plant and equipment - buildings, net	285,406	274,182	290,775
Pledged time deposits - current (included in other receivables)	188,773	253,151	325,418
Pledged time deposits - non-current (included in other non-current assets)	29,982	47,453	37,796
	$ 611,355	$ 681,980	$ 777,568

25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unused letters of credit of the Corporation in aggregate amount were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
	$ 827	$ 807	$ 822

b. Outstanding sales contracts of the Group in the amount were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
	$ 4,654,565	$ 4,281,451	$ 3,237,808

c. The Group provided endorsements for Systex Solutions Corporation, UCOM Information Ltd. (Shanghai), Systek Information (Shanghai) Ltd., Systex Software & Service Corporation, Systex Information (H.K.) Ltd. and Systex Group (China) Ltd. up to $360,000 thousand, $596,100 thousand, $59,610 thousand, $1,185,000 thousand, $59,610 thousand and 596,100 thousand, respectively. Concord System Management Corporation provided endorsement for the Corporation up to $988 thousand.

d. The Corporation entered into one project contract with third party. However, the Corporation could not meet the third party's requirements and could not complete the contract; thus, the third party would like to terminate the contract accordingly. The Corporation accrued $138,312 thousand as loss for this contract as of December 31, 2013.

e. Lease contracts for office premises and warehouse, expiring between January 2014 and December 2017, with refundable deposits of $25,854 thousand. Future rentals are as follows:

Year	Amount
2014	$ 86,795
2015	49,364
2016	38,248
2017	15,013

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

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

December 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 7,689	29.81	$ 229,184
RMB	72,723	4.89	355,518
HKD	2,138	3.84	8,217
SGD	65	23.58	1,530

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
Financial assets at fair value through profit or loss			
RMB	$ 76,102	4.89	$ 372,027
HKD	20,314	3.84	78,068
Investment accounted for using equity method			
RMB	71,739	4.89	350,722
HKD	70,494	3.84	270,906
THB	3,390	0.91	3,097
Financial liabilities			
Monetary item			
USD	11,835	29.81	352,745
SGD	133	23.58	3,147

(Concluded)

December 31, 2012

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 14,305	29.04	$ 415,408
RMB	61,855	4.62	285,659
HKD	1,203	3.75	4,506
SGD	64	23.76	1,511
Non-monetary items			
Financial assets at fair value through profit or loss			
RMB	26,834	4.62	123,895
HKD	38,303	3.75	143,521
JPY	12,464	0.3364	4,193
Investment accounted for using equity method			
RMB	62,215	4.62	288,367
HKD	57,434	3.75	214,374
THB	3,246	0.95	3,095
Financial liabilities			
Monetary item			
USD	13,320	29.04	386,827
RMB	505	4.62	2,355

January 1, 2012

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 7,909	30.28	$ 239,440
RMB	61,097	4.80	293,564
HKD	607	3.90	2,365
SGD	124	23.31	2,898
Non-monetary items			
Financial assets at fair value through profit or loss			
RMB	21,246	4.80	102,085
HKD	12,382	3.90	48,253
Investment accounted for using equity method			
RMB	68,345	4.80	328,416
HKD	62,968	3.90	245,384
THB	3,246	0.98	3,165
Financial liabilities			
Monetary item			
USD	13,014	30.28	394,006

27. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on financial information. The Group's reportable segments were as follows:

a. Segment revenues and results

	Financial Business Integration	Technological Business Integration	Value-added Business Integration	China Group	Investment Department	Adjustment and Elimination	Total
2013							
Sales to customers	$ 2,822,272	$ 4,128,186	$ 5,412,853	$ 3,293,951	$ -	$ -	$ 15,657,262
Sales to other segments	209,976	199,630	1,186,025	709,642	-	(2,305,273)	-
Total sales	$ 3,032,248	$ 4,327,816	$ 6,598,878	$ 4,003,593	$ -	$ (2,305,273)	$ 15,657,262
Segment income	$ 400,926	$ 259,205	$ 205,466	$ 55,355	$ 366,602	$ -	$ 1,287,554
Corporate general expenses							(347,824)
Income before income tax							$ 939,730
Segment depreciation and amortization expenses	$ 64,773	$ 78,018	$ 30,553	$ 21,328	$ -		$ 194,672
Non-segment depreciation and amortization expenses							22,596
Total depreciation and amortization expenses							$ 217,268
Segment assets	$ 2,418,663	$ 2,981,386	$ 2,458,211	$ 2,117,001	$ 7,185,103		$ 17,160,364
General assets							1,177,440
Total assets							$ 18,337,804
2012							
Sales to customers	$ 2,593,426	$ 4,170,321	$ 4,792,832	$ 2,701,022	$ -	$ -	$ 14,257,601
Sales to other segments	159,493	197,673	472,678	100,356	-	(930,200)	-
Total sales	$ 2,752,919	$ 4,367,994	$ 5,265,510	$ 2,801,378	$ -	$ (930,200)	$ 14,257,601
Segment income (loss)	$ 94,428	$ 147,296	$ 166,994	$ (10,735)	$ 191,664	$ -	$ 589,647
Corporate general expenses							(263,103)
Income before income tax							$ 326,544

(Continued)

	Financial Business Integration	Technological Business Integration	Value-added Business Integration	China Group	Investment Department	Adjustment and Elimination	Total
Segment depreciation and amortization expenses	$ 74,570	$ 69,923	$ 21,475	$ 23,774	$ -		$ 189,742
Non-segment depreciation and amortization expenses							19,379
Total depreciation and amortization expenses							$ 209,121
Segment assets	$ 2,894,994	$ 2,651,038	$ 2,407,058	$ 1,657,611	$ 6,763,052		$ 16,373,753
General assets							991,738
Total assets							$ 17,365,491

(Concluded)

Financial business integration provides financial contents and information services. Technological business integration provides computer hardware and software integration services. Value added business integration provides world-class software and suitable solutions. China group provides service similar with the above in China. Investment department engages in investment activities.

Segment income represented the income before tax earned by each segment without allocation of central administration costs and directors' salaries, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, exchange gain or loss, and income tax expense.

b. Geographical information

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

	Revenue from External Customers	
	2013	2012
Domestic	$ 11,373,859	$ 11,092,167
Asia	4,283,403	3,165,434
	$ 15,657,262	$ 14,257,601

	Non-current Assets		
	December 31, 2013	December 31, 2012	January 1, 2012
Domestic	$ 3,825,739	$ 3,800,741	$ 3,464,801
Asia	1,000,786	1,134,996	1,252,616
Others	424,001	433,899	524,978
	$ 5,250,526	$ 5,369,636	$ 5,242,395

c. Major customers

No revenue from any individual customer exceeded 10% of the Group's total operating revenue for the years ended December 31, 2013 and 2012.

29. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation for financial information under IFRSs

The Group's consolidated financial statements for the year ended December 31, 2013 were the first IFRS financial statements. The Group not only follows the significant accounting policies stated in

Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

b. Impact on the transition to IFRSs

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

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

	ROC GAAP	Effect Amount	IFRSs	Note
Assets				
Cash	$ 1,959,323	$ (287)	$ 1,959,036	a)
Deferred income tax assets - current	52,208	(52,208)	-	c)
Prepayments	441,984	94,203	536,187	l)
Other current assets	42,854	287	43,141	a)
Investments accounted for by the equity method/investment in associates	1,289,436	(53,523)	1,235,913	e)
Property and equipment, net/property, plant and equipment	2,447,291	(1,839)	2,569,491	b)
		119,426		f)
		4,613		g)
Intangible assets	608,419	589	609,008	g)
Deferred income tax assets - non-current	56,580	62,715	132,233	c)
		3,623		h)
		507		i)
		8,808		l)
Other assets - others	320,224	1,839	192,272	b)
		(119,426)		f)
		(4,613)		g)
		(589)		g)
		(5,163)		i)
Liabilities				
Accrued expenses	629,971	23,989	653,960	h)
Receipts in advance	684,197	146,017	830,214	l)
Accrued pension cost	77,803	83,974	161,777	i)
Deferred credits (included in other liabilities - others)	7,687	(7,687)	-	e)
Deferred income tax liabilities - non-current (included in other liabilities - others)	1,748	10,507	12,255	c)
Equity				
Capital surplus	9,369,234	(65,843)	9,303,391	e)
Retained earnings	2,043,238	20,007	1,897,694	e)
		(19,751)		h)
		(104,717)		i)
		56		k)
		(41,139)		l)
(Net loss not recognized as pension cost	(18,469)	18,469	-	i)
Unrealized gain or loss on financial instruments/unrealized gain or loss on available-for-sale financial assets	(160,822)	183,794	22,972	j)
Unrealized revaluation increment	56	(56)	-	k)
Treasury stock	(869,672)	(183,794)	(1,053,466)	j)
Minority interest/non-controlling interests	387,197	(615)	382,333	h)
		(2,382)		i)
		(1,867)		l)

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

	ROC GAAP	Effect Amount	IFRSs	Note
Assets				
Cash	$ 1,977,690	$ (6,157)	$ 1,971,533	a)
Deferred income tax assets - current	49,223	(49,223)	-	c)
Prepayments	414,960	84,697	499,657	l)
Other current assets	49,225	6,157	55,382	a)
Financial assets carried at cost	558,140	18,863	577,003	d)
Investments accounted for by the equity method/investment in associates	1,243,153	(63,348)	1,179,805	e)
Property and equipment, net/property, plant and equipment	2,407,926	(3,850)	2,515,940	b)
		107,949		f)
		3,915		g)
Intangible assets	787,719	70	778,188	g)
		(1,720)		m)
		(7,881)		n)
Deferred income tax assets - non-current	40,918	60,695	112,308	c)
		3,860		h)
		480		i)
		6,355		l)
Other assets - others	319,120	3,850	206,392	b)
		(107,949)		f)
		(3,915)		g)
		(70)		g)
		(4,644)		i)
Liabilities				
Accrued expenses	546,164	50,785	621,440	e)
		24,491		h)
Receipts in advance	635,302	122,081	757,383	l)
Deferred income tax liabilities - current (include in other current liabilities)	874	(874)	-	c)
Accrued pension cost	112,684	75,659	188,343	i)
Deferred credits (included in other liabilities)	3,843	(3,843)	-	e)
Deferred income tax liabilities - non-current (included in other liabilities)	-	874	17,315	c)
		11,472		c)
		4,969		o)
Equity				
Capital surplus	8,946,228	(65,843)	8,880,385	e)
Retained earnings	2,341,687	18,863	2,148,815	d)
		6,338		e)
		(50,785)		e)
		(20,090)		h)
		(130,931)		i)
		56		k)
		(30,983)		l)
		(1,720)		m)
		(7,881)		n)
		24,261		o)
Cumulative translation adjustments/foreign currency translation reserve	(322,626)	(29,230)	(351,856)	o)
Net loss not recognized as pension cost	(53,622)	53,622	-	i)
Unrealized gain or loss on financial instruments/unrealized gain or loss on available-for-sale financial assets	(160,851)	183,794	22,943	j)
Unrealized revaluation increment	56	(56)	-	k)
Treasury stock	(869,672)	(183,794)	(1,053,466)	j)
Minority interest/non-controlling interests	285,417	(541)	282,316	h)
		(2,514)		i)
		(46)		l)

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

	ROC GAAP	Effect Amount	IFRSs	Note
Operating revenues	$ 14,233,665	$ 23,936	$ 14,257,601	l)
Operating costs	10,434,522	9,506	10,444,028	l)
Operating expenses	3,683,746	50,785	3,730,978	e)
		502		h)
		(4,055)		i)
Non-operating income (expenses)	193,732	18,863	240,105	d)
		(1,720)		m)
		29,230		o)
Income tax	69,379	(237)	76,591	h)
		27		i)
		2,453		l)
		4,969		o)
<u>Other equity/other comprehensive income</u>				
Cumulative translation adjustments/exchange differences on translating foreign operations	(165,372)	(29,230)	(194,602)	o)
Unrealized gain or loss on available-for-sale financial assets (included non-controlling interests)	10,169	-	10,169	
Share of other comprehensive income or loss of associates	(15,371)	(13,669)	(29,040)	e)
Net loss not recognized as pension cost/actuarial loss from defined benefit plans	(35,153)	35,153	(30,374)	i)
		(30,374)		i)

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:

<u>Business combinations</u>

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

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

<u>Share-based payment transactions</u>

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

<u>Deemed cost</u>

For certain freehold lands, the Group elected to use the ROC GAAP revalued amount at the date of transition to IFRSs as their deemed cost under IFRSs. All other property, plant and equipment and intangible assets were recorded as carried at cost under IFRSs.

Employee benefits

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

The effects of exemptions from IFRS 1 were described in the "material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs."

5) The material differences between the accounting policies under ROC GAAP and the accounting policies adopted under IFRSs were as follows:

Item	Accounting Issues	Description of Differences
a)	Definition of cash and reclassification	Under ROC GAAP, the term "cash" used in the financial statements includes time deposits that are cancellable but without any loss of principal. However, under IFRSs, an investment is normally not classified as cash when it has a term of more than three months from the date of acquisition. Certificates of deposit that do not have quoted market prices in an active market and have term of more than three months from the date of acquisition are classified as other current financial assets. Thus, as of December 31, 2012 and January 1, 2012, the amounts reclassified were $6,157 thousand and $287 thousand.
b)	The reclassification of prepayments for equipment	Under ROC GAAP, prepayments for equipment are classified under property and equipment. Under IFRSs, the aforementioned items are classified as prepayments. As of December 31, 2012 and January 1, 2012, the amounts reclassified from prepayments for equipment to prepayments - non-current (included in other assets) were $3,850 thousand and $1,839 thousand, respectively.
c)	The classification of deferred income tax assets/liabilities and valuation allowance account	Under ROC GAAP, deferred income tax assets are recognized in full but are reduced by a valuation allowance account if there is evidence showing that a portion of or all the deferred income tax assets will not be realized. However, under IFRSs, an entity recognizes deferred income tax assets only if realization is "probable" and a valuation allowance account is not used. Under ROC GAAP, a deferred income tax asset or liability should, according to the classification of its related asset or liability, be classified as current or non-current. However, a deferred income tax asset or liability that is not related to an asset or liability for financial reporting should be classified as current or non-current according to the expected reversal or realization date of the temporary difference. By contrast, under IFRSs, a deferred income tax asset or liability is always classified as non-current.

(Continued)

Item	Accounting Issues	Description of Differences
		As of December 31, 2012, the amounts reclassified from deferred income tax assets and liabilities to non-current assets and liabilities were $60,695 thousand and $12,346 thousand, respectively. As of January 1, 2012, the amounts reclassified from deferred income tax assets and liabilities to non-current assets and liabilities were $62,715 thousand and $10,507 thousand, respectively.
d)	Financial assets carried at cost	The Group’s investment cost in the common stock of Far Eastern Electronic Toll Collection Co., Ltd. is being amortized over the operating periods contracted with the government based on Interpretation No. 1998-150 issued by the Accounting Research and Development Foundation. Under IFRSs, the aforementioned interpretation is not applicable.
		Non-operating income for the year ended December 31, 2012 was adjusted for an increase of $18,863 thousand. As of December 31, 2012, financial assets carried at cost was adjusted for an increase of $18,863 thousand.
e)	Investments accounted for using the equity method	The assessed difference between ROC GAAP and IFRSs that would have possible significant effect on investments in associates accounted for by the equity method is pension actuarial gains and losses. Under IFRSs, as of January 1, 2012, investments accounted for by the equity method and retained earnings were adjusted for decrease of $15,405 thousand, respectively. Actuarial loss from defined benefit plans of investees resulted in a decrease of $13,669 thousand in other comprehensive income for the year ended December 31, 2012, and investments accounted for by the equity method was adjusted for a decrease of $13,669 thousand. In addition, the presentation difference of downstream transactions with related parties as of December 31, 2012 and January 1, 2012 was reconciled by reclassifying deferred credits to investments accounted for by the equity method in the amounts of $3,843 thousand and $7,687 thousand, respectively.
		Under ROC GAAP, when an investee’s equity (exclusive of capital and retained earnings) changed, the investor should adjust its long-term stock investments and capital surplus account in proportion to the investor’s percentage of ownership in the investee.
		However, under IFRSs, the investor only recognized equity in associate’s profit or loss and other comprehensive income based on its stockholding percentage. As a result, long-term investments and capital surplus - long-term investments were adjusted for decrease of $30,431 thousand, respectively.

(Continued)

Item	Accounting Issues	Description of Differences
		According to "Q&A for Adoption of International Financial Reporting Standards by Companies in the ROC," issued by TWSE, capital surplus does not follow the regulations of IFRSs, or those with no violation of related regulation of Company Law and related interpretations issued by the MOEA should be adjusted to retained earnings at the transition date.
		As of December 31, 2012 and January 1, 2012, due to the account of capital surplus - from long-term investments not following the regulations of IFRSs, the Group decreased capital surplus and increased retained earnings by $35,412 thousand, respectively. The Corporation of share of loss of subsidiaries for the year ended December 31, 2012 was adjusted for an increase of $50,785 thousand.
f)	The classification of assets leased to others and idle assets	Under ROC GAAP, assets leased to others and idle assets are classified as other assets. Under IFRSs, the aforementioned items are classified as property, plant and equipment or investment property according to their nature.
		As of December 31, 2012 and January 1, 2012, the amounts reclassified from other assets - other to property, plant and equipment were $107,949 thousand and $119,426 thousand, respectively.
g)	The classification of deferred charges	Under ROC GAAP, deferred charges are classified as other assets. Under IFRSs, the aforementioned items are classified as property, plant and equipment or intangible asset according to their nature.
		As of December 31, 2012 and January 1, 2012, the amounts reclassified from deferred charges to property, plant and equipment were $3,915 thousand and $4,613 thousand, respectively; the amounts reclassified from deferred charges to intangible assets were $70 thousand and $589 thousand, respectively.
h)	Employee benefits - accumulated compensated absences	This issue is not addressed in existing ROC GAAP; thus, an entity usually recognizes the expected cost of employee benefits in the year of disbursement. However, under IFRSs, when the employees render services that increase their entitlement to future compensated absences, an entity should recognize the expected cost of employee benefits.

(Continued)

Item	Accounting Issues	Description of Differences
		As of December 31, 2012 and January 1, 2012, accrued expenses were adjusted for the aforementioned differences for increase of $24,491 thousand and $23,989 thousand, respectively; deferred income tax assets were adjusted for increase of $3,860 thousand and $3,623 thousand, respectively. As of January 1, 2012, retained earnings was adjusted for a decrease of $19,751 thousand and non-controlling interests was adjusted for a decrease of $615 thousand. Payroll expenses was adjusted for an increase of $502 thousand and income tax expenses was adjusted for a decrease of $237 thousand (including an increase of $74 thousand in non-controlling interests) in 2012.
i)	Employee benefits - actuarial gains and losses	Under ROC GAAP, first-time adoption of Statement of Financial Accounting Standard No. 18 " Accounting for Pensions" resulted in unrecognized net transition obligation which should be amortized using the straight-line method over the average remaining service years of employees and recognized in net pension cost.
		Under IFRSs, the aforementioned accounting treatment is not applicable, and unrecognized net transition obligation should be adjusted to retained earnings at the transition date.
		Under ROC GAAP, the Group amortize actuarial gains and losses using the corridor approach. However, under IAS19, "Employee Benefit," the Group elect to recognize actuarial gains and losses immediately in full in the period in which they occur in other comprehensive income. The subsequent reclassification to earnings is not permitted.
		Under ROC GAAP, minimum pension liability is the minimum amount of pension liability that is required to be recognized on the balance sheet. If the accrued pension liability already recognized in the book is less than the minimum amount, the difference should be recognized as additional pension liability. Under IFRSs, there is no aforementioned requirement of minimum pension liability.

(Continued)

Item	Accounting Issues	Description of Differences
		As of December 31, 2012 and January 1, 2012, the IFRS adjustment resulted in increase in accrued pension liability by $75,659 thousand and $83,974 thousand, respectively; decrease in prepaid pension cost (included in other assets) by $4,644 thousand and $5,163 thousand, respectively; increase in deferred income tax assets by $480 thousand and $507 thousand, respectively; decrease in net loss not recognized as net pension cost by $53,622 thousand and $18,469 thousand, respectively. As of January 1, 2012, retained earnings and non-controlling interests were adjusted for decrease of $104,717 thousand and $2,382 thousand, respectively. For the year ended December 31, 2012, pension cost was adjusted for a decrease of $4,055 thousand, and income tax expenses was adjusted for an increase of $27 thousand (including an increase of $125 thousand in non-controlling interests); actuarial loss from defined benefit plans was recognized in the amount of $30,374 thousand (including an increase of $257 thousand in non-controlling interests).
j)	Accounting treatment of treasury stock	Under ROC GAAP, the Corporation's stock held by its subsidiaries is treated as treasury stock and reclassified from long-term stock investment into treasury stock on January 1, 2005 when the Corporation adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 7, "Consolidated Financial Statements", and the treasury stock is accounted for on the basis of the carrying value multiplied by the Corporation's proportionate share. Under IFRSs, the treasury stock is accounted for on the basis of the initial investment cost multiplied by the Corporation's proportionate share. As of January 1, 2012, unrealized loss on financial instruments was adjusted for a decrease of $183,794 thousand and treasury stock was adjusted for an increase of $183,794 thousand.
k)	Revaluation basis of property, plant and equipment	The Group use revalued amounts as deemed cost of property and equipment and assets leased to others under ROC GAAP as of December 31, 2011. Thus, no revalued property and equipment and assets leased to others were recorded as carried at cost under IFRSs. As of January 1, 2012, the amount adjusted from unrealized revaluation increment to retained earnings was $56 thousand.

(Continued)

Item	Accounting Issues	Description of Differences
l)	Revenue recognition	Under IFRSs, IAS11 or IAS18 will be adopted by the Group for their revenue recognition of computer system integration contracts according to the content of each contract. As of January 1, 2012, retained earnings and non-controlling interests were adjusted for decrease of $41,139 thousand and $1,867 thousand, respectively. Deferred cost (included in prepayments), receipts in advance and deferred income tax assets were adjusted for increase of $94,203 thousand, $146,017 thousand and $8,808 thousand, respectively. For the year ended December 31, 2012, operating revenue, operating cost and income tax expenses were adjusted for increase of $23,936 thousand, $9,506 thousand and $2,453 thousand (including an increase of $1,821 thousand in non-controlling interests), respectively.
m)	Accounting treatment of acquisition cost of subsidiaries	Under ROC GAAP, the acquisition cost of subsidiaries included direct costs relating to the acquisition. Under IFRSs, acquisition-related costs should be recognized as expenses in the period. As of December 31, 2012, the amount of intangible assets was adjusted for a decrease of $1,720 thousand. For the year ended December 31, 2012, the amount of non-operating income was adjusted for a decrease of $1,720 thousand.
n)	Additional acquisition of partial equity did not affect significant influence	Under ROC GAAP, acquisition premium or discount was calculated on the basis of fair values when parent corporation acquired non-controlling interest. Under IFRSs, when a parent's ownership interest in a subsidiary changes, this change should be treated as equity transactions; percentage change in subsidiaries’ interest should be adjusted in controlling interest and non-controlling interests to reflect their relative interests in subsidiaries. As of December 31, 2012, additional acquisition of partial equity in a subsidiary resulted in decrease in retained earnings (due to shortage of capital surplus) and intangible assets by $7,881 thousand, respectively.
o)	Accounting treatment of cumulative translation adjustments for receiving returned capital from foreign investees accounted for by the equity method	Under ROC GAAP, when foreign investees accounted for by the equity method returned capital, the change of cumulative translation adjustments due to capital reduction should be adjusted as foreign exchange gain or loss. Under IFRSs, if the investor’s proportionate share is not affected by the capital reduction, the Corporation and its subsidiaries’ ownership of the investee is treated as unchanged. No adjustment for the change of cumulative translation adjustments due to capital reduction would be made.

(Continued)

Item	Accounting Issues	Description of Differences
		The Group received returned capital from foreign investees accounted for by the equity method. For the year ended December 31, 2012, non-operating expenses and losses and the effect of changes in foreign exchange rates were adjusted for decrease of $29,230 thousand, respectively; income tax expenses and deferred income tax liabilities were adjusted for increase of $4,969 thousand, respectively.

(Concluded)

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

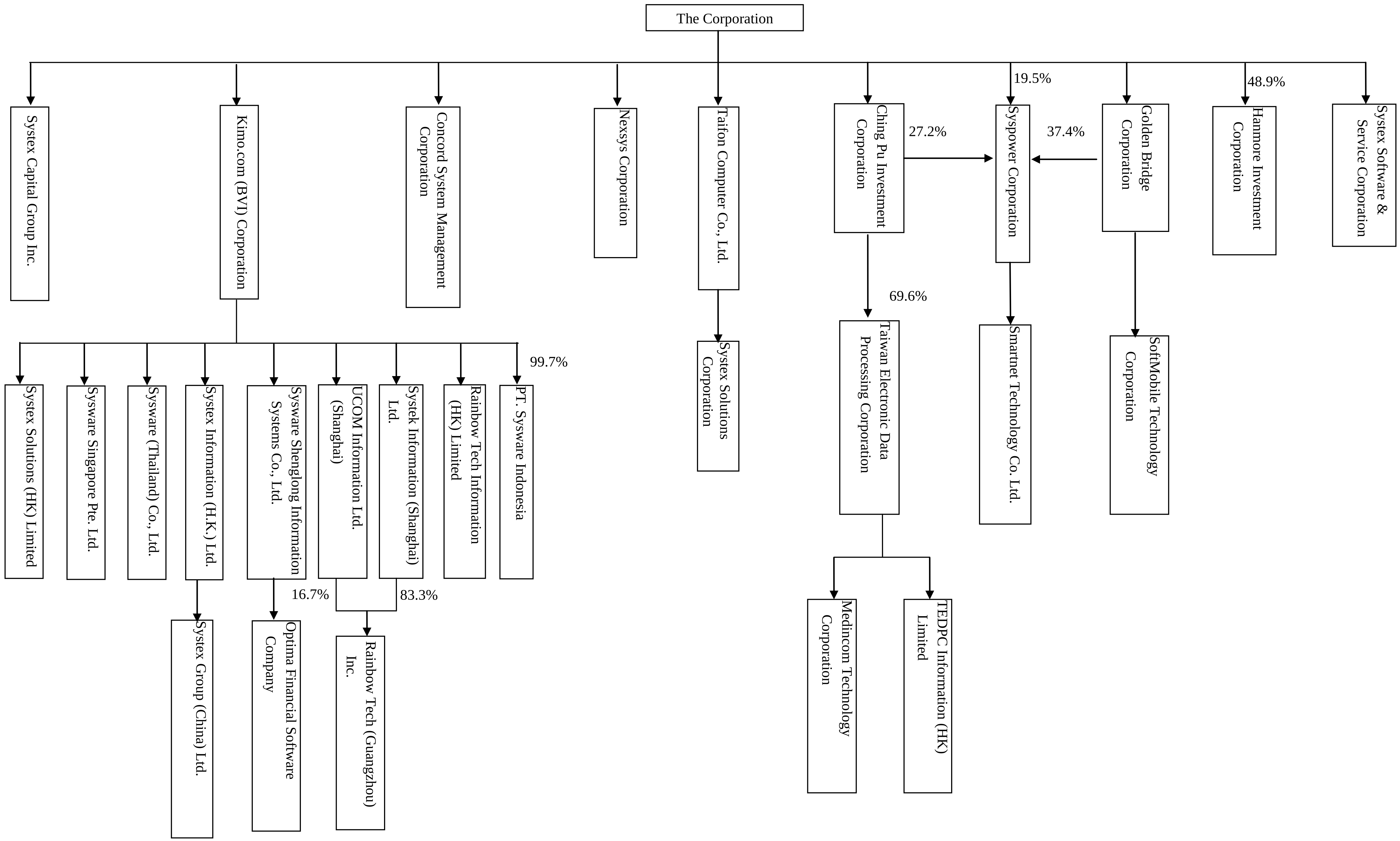
Time deposits that can be readily cancelled without eroding the principal meet the definition of cash in accordance with ROC GAAP. However, under IAS 7 ”Statement of Cash Flows”, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. An investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Therefore, time deposits with a carrying amount of $6,157 thousand and $287 thousand as of December 31, 2012 and January 1, 2012, respectively, held by the Group were deposited for investment purposes and thus no longer classified as cash under IFRSs.

According to ROC GAAP, interest paid and received and dividends received are classified as operating activities while dividends paid are classified as financing activities. Additional disclosure is required for interest expenses when reporting cash flow using indirect method. However, under IAS 7 ”Statement of Cash Flows”, cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as operating, investing or financing activities. Therefore, interests received by the Group of $21,734 thousand, interest paid of $15,229 thousand, and dividends received of $53,297 thousand, respectively, for the year ended December 31, 2012 were presented separately at the date of transition to IFRSs.

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

SYSTEX CORPORATION AND SUBSIDIARIES

THE RELATIONSHIP AND PERCENTAGE OF OWNERSHIP OF COMPANIES IN THE GROUP
DECEMBER 31, 2013



Note: Percentage of ownership is 100% unless noted on the chart.