SINO-AMERICAN SILICON PRODUCTS INC.

Parent-Company-Only Financial Statements

December 31, 2013 and 2012, and January 1, 2012
(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The board of directors
Sino-American Silicon Products Inc.

We have audited the accompanying statements of financial position of Sino-American Silicon Products Inc. (the "Company") as of December 31, 2013 and 2012, and January 1, 2012, and the related parent-company-only statements of profit or loss and other comprehensive income, changes in stockholders' equity, and cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of equity-method investees. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion is based solely on the reports of the other independent auditors insofar as it relates to the differences between acquisition cost and identifiable net assets, for which we have performed the required procedures and adjusted accordingly. The related long-term investment balances of NT$6,667,766 thousand, NT$12,610,940 thousand, and NT$4,754,368 thousand (23%, 44% and 17% of total assets) as of December 31, 2013 and 2012, and January 1, 2012, respectively, and the share of profit or loss of subsidiaries and associates accounted for using the equity method amounting to NT$(115,120) thousand and NT$42,439 thousand ((95)% of loss before income tax and 2% of profit before income tax) for the years ended December 31, 2013 and 2012, respectively, are based solely on the reports of the other independent auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Sino-American Silicon Products Inc. as of December 31, 2013 and 2012, and January 1, 2012, and the results of its operations and its cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

KPMG
Hsinchu, Taiwan (the Republic of China)
March 20, 2013

Note to Readers

The accompanying financial statements are intended only to present the financial position, results of operations, 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 review such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

SINO-AMERICAN SILICON PRODUCTS INC.

Parent-Company-Only Statements of Financial Position

December 31, 2013 and 2012, and January 1, 2012
(expressed in thousands of New Taiwan dollars)

Assets		December 31, 2013	December 31, 2012	January 1, 2012
Current assets:				
Cash and cash equivalents (note 6)	$	343,226	459,154	2,405,021
Financial assets designated as at fair value through profit or loss – current (note 7)		-	-	43,922
Notes and trade receivable, net (note 8)		706,546	209,663	358,735
Accounts receivable from related parties (note 32)		372,171	260,614	504,567
Inventories, net (note 9)		891,129	339,722	635,537
Prepayments for materials (note 34)		858,701	856,133	1,105,123
Other current assets		148,731	204,650	149,256
Other financial assets – current (note 29)		24	2,442	2,402
		3,320,528	2,332,378	5,204,563
Non-current assets:				
Available-for-sale financial assets – non-current (note 10)		1,000,245	703,328	1,054,168
Financial assets carried at cost – non-current (note 11)		795,028	781,595	583,595
Investments accounted for using equity method (note 12)		17,710,460	16,739,604	11,678,457
Property, plant and equipment, net (notes 14, 14 and 33)		3,882,361	4,847,805	6,020,638
Deferred income tax assets (note 20)		252,907	152,336	129,090
Long-term accounts receivable from related parties (note 32)		-	-	766,183
Other financial assets – non-current (note 29)		43,110	9,003	2,194
Long-term prepayments for materials (note 34)		2,404,767	2,978,835	3,343,369
		26,088,878	26,212,506	23,577,694
Total Assets	**$**	**29,409,406**	**28,544,884**	**28,782,257**

See accompanying notes to consolidated financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Parent-Company-Only Statements of Financial Position (continued)

December 31, 2013 and 2012, and January 1, 2012
(expressed in thousands of New Taiwan dollars)

Liabilities and Stockholders' Equity		**December 31, 2013**	**December 31, 2012**	**January 1, 2012**
Current liabilities:				
Short-term borrowings (note15)	$	1,107,171	300,000	100,000
Notes and accounts payable		1,006,783	395,005	479,143
Payables to related parties (note 32)		486,958	89,811	1,113,566
Payroll and bonus payable		140,633	47,475	151,934
Revenue received in advance for sales (notes 32 and 34)		1,286,239	2,126,359	1,132,407
Provision – current (note 17)		119,519	266,616	-
Other current liabilities		167,707	140,689	133,414
Current portion of long-term loans payable (note16)		166,667	3,643,477	1,995,000
		4,481,677	7,009,432	5,105,464
Non-current liabilities:				
Long-term loans payable (note16)		4,372,783	1,235,000	1,096,122
Other liabilities – non-current (notes 19 and 20)		30,868	44,231	74,198
Revenue received in advance for sales – non-current (notes 32 and 34)		2,226,454	2,045,158	3,572,582
		6,630,105	3,324,389	4,742,902
Total Liabilities		11,111,782	10,333,821	9,848,366
Equity:				
Common stock		5,231,191	5,231,191	4,431,191
Capital surplus		14,977,502	14,878,908	12,141,389
Retained earnings:				
Legal reserve		213,967	987,717	944,846
Special reserve		102,349	604,810	-
Unappropriated earnings (accumulated deficits)		64,423	(1,498,442)	2,182,541
		380,739	94,085	3,127,387
Other equity		(2,291,808)	(1,736,426)	(766,076)
Treasury stock		-	(256,695)	-
Total Equity		18,297,624	18,211,063	18,933,891
Total Liabilities and Equity	**$**	**29,409,406**	**28,544,884**	**28,782,257**

See accompanying notes to consolidated financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Parent-Company-Only Statements of Profit or Loss and Other Comprehensive Income

Years ended December 31, 2013 and 2012
(expressed in thousands of New Taiwan dollars, except for earnings per share)

		2013	2012
Operating revenues (note 24):	$	5,208,835	4,373,570
Cost of goods sold (notes 7 and 32)		6,564,673	6,309,596
Gross loss		(1,355,838)	(1,936,026)
Operating expenses:			
Selling		17,995	15,213
General and administrative		94,226	73,318
Research and development		155,141	184,438
Total operating profit		267,362	272,969
Operating loss		(1,623,200)	(2,208,995)
Non-operating income and (expenses):			
Other income (note 25)		9,839	17,435
Other gains and (losses) (note 26)		115,409	(29,854)
Interest expense		(103,519)	(192,223)
Share of profit or loss of subsidiaries and associates accounted for using equity method		1,723,219	(301,847)
Total non-operating income and expenses		1,744,948	(506,489)
Profit from continuing operations before income tax		121,748	(2,715,484)
Income tax expense (note 20)		(173,370)	(140,834)
Net profit (loss)		**295,118**	**(2,574,650)**
Other comprehensive income (loss):			
Exchange differences on translation of foreign operations		24,847	(58,223)
Unrealized gain (loss) on available-for-sale financial assets (note 28)		304,883	(341,396)
Actuarial loss on defined benefit plans		(2,200)	(5,155)
Share of other comprehensive income of subsidiaries and associates accounted for using equity method (note 27)		(887,152)	(591,007)
Income tax related to other comprehensive income		(4,224)	9,898
Total other comprehensive income (loss), net of income tax		(563,846)	(985,883)
Total comprehensive income (loss)	**$**	**(268,728)**	**(3,560,533)**
Earnings per share (in dollars) (note 23)			
Basic earnings (loss) per share	**$**	**0.57**	**(5.33)**

See accompanying notes to consolidated financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Parent-Company-Only Statements of Changes in Stockholders' Equity

Years ended December 31, 2013 and 2012
(expressed in thousands of New Taiwan dollars)

			Retained earnings				Other equity				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Total	Exchange differences on translation	Unrealized gain (loss) on available-for-sale financial assets	Total	Treasury stock	Total equity
Balance at January 1, 2012	$ 4,431,191	12,141,389	944,846	-	2,182,541	3,127,387	-	(766,076)	(766,076)	-	18,933,891
Net loss for 2012	-	-	-	-	(2,574,650)	(2,574,650)	-	-	-	-	(2,574,650)
Other comprehensive loss for 2012	-	-	-	-	(15,533)	(15,533)	(628,954)	(341,396)	(970,350)	-	(985,883)
Total comprehensive loss for 2012	-	-	-	-	(2,590,183)	(2,590,183)	(628,954)	(341,396)	(970,350)	-	(3,560,533)
Appropriation and distribution of retained earnings											
Legal reserve	-	-	42,871	-	(42,871)	-	-	-	-	-	-
Special reserve	-	-	-	604,810	(604,810)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(443,119)	(443,119)	-	-	-	-	(443,119)
Issuance of common stock for cash	800,000	2,652,073	-	-	-	-	-	-	-	-	3,452,073
Treasury stock acquired	-	-	-	-	-	-	-	-	-	(256,695)	(256,695)
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees	-	83,564	-	-	-	-	-	-	-	-	83,564
Adjustment arising from changes in percentage of ownership in equity-method investees	-	1,882	-	-	-	-	-	-	-	-	1,882
Balance at December 31, 2012	5,231,191	14,878,908	987,717	604,810	(1,498,442)	94,085	(628,954)	(1,107,472)	(1,736,426)	(256,695)	18,211,063
Net profit for 2013	-	-	-	-	295,118	295,118	-	-	-	-	295,118
Other comprehensive income (loss) for 2013	-	-	-	-	(8,464)	(8,464)	(860,265)	304,883	(555,382)	-	(563,846)
Total comprehensive income (loss) for 2013	-	-	-	-	286,654	286,654	(860,265)	304,883	(555,382)	-	(268,728)
Appropriation and distribution of retained earnings (Note):											
Special reserve	-	-	-	102,349	(102,349)	-	-	-	-	-	-
Legal reserve used to offset company losses	-	-	(773,750)	-	773,750	-	-	-	-	-	-
Special reserve used to offset company losses	-	-	-	(604,810)	604,810	-	-	-	-	-	-
Adjustment for changes in investees' equity	-	49,409	-	-	-	-	-	-	-	-	49,409
Treasury stock acquired	-	-	-	-	-	-	-	-	-	(5,749)	(5,749)
Compensation cost arising from issuance of stock from exercising employee stock options	-	17,966	-	-	-	-	-	-	-	-	17,966
Treasury stock transferred to employees	-	31,219	-	-	-	-	-	-	-	262,444	293,663
Balance at December 31, 2013	$ **5,231,191**	**14,977,502**	**213,967**	**102,349**	**64,423**	**380,739**	**(1,489,219)**	**(802,589)**	**(2,291,808)**	**-**	**18,297,624**

Note: There were no directors' and supervisors' remuneration and employee bonuses for 2012 and 2013.

See accompanying notes to consolidated financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Parent-Company-Only Statements of Cash Flows

Years ended December 31, 2013 and 2012
(expressed in thousands of New Taiwan dollars)

		2013	2012
Cash flows from operating activities:			
Income (loss) before tax	$	121,748	(2,715,484)
Adjustments:			
Adjustments for:			
Depreciation		1,043,757	1,199,958
Provision for (reversal of) allowance for doubtful accounts		4	(5,857)
Unrealized loss (gain) on valuation of financial assets		-	43,922
Interest expenses		103,519	192,223
Interest income		(636)	(6,961)
Dividend income		(9,203)	(10,474)
Compensation cost arising from issuance of stock from exercising employee stock options and from capital increase by cash reserved for employees		49,185	83,564
Share of profit or loss of subsidiaries and associates accounted for using equity method		(1,723,219)	301,847
Gain on disposal of available-for-sale financial assets, net		(62,342)	(61,507)
Loss on disposal of equity-method investments		19,226	-
Expense with no effect on cash flow		654	-
Provision for (reversal of) inventory obsolescence and devaluation loss		(3,607)	(15,281)
Total adjustments to reconcile income (loss) before tax		(582,662)	1,721,434
Changes in operating assets and liabilities:			
Changes in operating assets:			
Notes and accounts receivable (including related parties)		(608,444)	632,702
Inventories		(547,030)	311,096
Prepayments for materials		571,500	613,524
Other current assets		110	(76,756)
Other financial assets		2,418	(40)
Total changes in operating assets		(581,446)	1,480,526
Changes in operating liabilities:			
Notes and accounts payable (including related parties)		910,568	(114,203)
Provision		(147,097)	266,616
Revenue received in advance for sales		(658,824)	(533,472)
Accrued expenses and other current liabilities		113,268	88,151
Accrued pension liabilities		4,315	10,125
Total changes in operating liabilities		222,230	(282,783)
Total changes in operating assets and liabilities		(359,216)	1,197,743
Total adjustments		(941,878)	2,919,177
Cash inflow (outflow) generated from operations		(820,130)	203,693
Interest received		636	6,961
Dividend paid		9,203	10,474
Interest paid		(106,077)	(186,352)
Income tax refunded (paid)		124,432	(77,127)
Net cash outflows used in operating activities		(791,936)	(42,351)

See accompanying notes to financial statements.

SINO-AMERICAN SILICON PRODUCTS INC.

Parent-Company-Only Statements of Cash Flows (continued)

Years ended December 31, 2013 and 2012
(expressed in thousands of New Taiwan dollars)

		2013	2012
Cash flows from investing activities:			
Decrease in other receivables from related parties	$	-	(233,820)
Proceeds from disposal of available-for-sale financial assets		70,308	70,951
Acquisition of financial assets carried at cost		(13,433)	(198,000)
Acquisition of equity-accounted investees		(165,358)	(5,322,240)
Acquisition of subsidiaries (excluding cash obtained)		(791,002)	-
Disposal of subsidiary to non-controlling interest		-	78,080
Acquisition of property, plant and equipment		(90,150)	(74,394)
Proceeds from disposal of property, plant and equipment		-	36,792
Dividends from equity-accounted investees		876,554	-
Increase in restricted certificate of deposit		(34,823)	(6,809)
Decrease in refundable deposits		716	-
Net cash used in investing activities		(147,188)	(5,649,440)
Cash flows from financing activities:			
Increase (decrease) in other payables to related parties		98,357	(993,690)
Increase in short-term borrowings		807,171	200,000
Increase in long-term loans payable		3,837,550	8,635,000
Repayment of long-term loans payable		(4,176,577)	(6,847,645)
Payments of cash dividends		-	(443,119)
Issuance of common stock for cash		-	3,452,073
Treasury stock acquired		(5,749)	(256,695)
Treasury stock transferred to employees		262,444	-
Net cash flows from financing activities		823,196	3,745,924
Net decrease in cash and cash equivalents		(115,928)	(1,945,867)
Cash and cash equivalents at beginning of year		459,154	2,405,021
Cash and cash equivalents at end of year	**$**	**343,226**	**459,154**
Fair value of assets and (liabilities) of associates acquired:			
Cash and cash equivalents	$	18,857	
Other current assets		9	
Equity-method investments		1,374,554	
Other assets－non-current		37	
Other liabilities－non-current		(3)	
Fair value of associate’s equity at acquisition date		1,393,454	
Less: Fair value of associates before acquisition date		(583,595)	
Cash proceeds from acquisition of associates		(18,857)	
Acquisition of associates	**$**	**791,002**	

See accompanying notes to financial statements.

(amounts expressed in thousands of New Taiwan dollars,
except for per share information and unless otherwise noted)

1. Organization and principal activities

Sino-American Silicon Products Inc. ("the Company") was incorporated in January 1981 under the R.O.C. Company Act, and it established the Chunan Branch in June 2005. The Company's main activities include the research, development, production, and sale of semiconductor ingots/wafers, solar ingots/wafers, and sapphire wafers, and services consisting of the integration and installment of photovoltaic systems.

The Company's common shares were publicly listed on the GreTai Securities Market ("GTSM") in March 2001.

In order to conduct corporate restructuring and specialization and to enhance competitiveness and operating performance, on June 17, 2011, the stockholders' meeting resolved to transfer the semiconductor business and sapphire business (and their related assets and liabilities) from the Company to its wholly owned, newly incorporated subsidiaries GlobalWafers and Sino Sapphire, respectively. The date of the spin-off was set as October 1, 2011, and the Company transferred its semiconductor business to GlobalWafers by issuing 180,000 thousand new shares at $38.5 per share. In addition, the Company transferred its sapphire business by issuing 40,000 thousand new shares at $40 per share. The relevant information about the spin-off is as follows:

		Global-Wafers	Sino Sapphire	Total
Assets:				
Accounts and notes receivable	$	608,266	96,528	704,794
Other receivables – related parties		1,193,500	744,082	1,937,582
Inventories		305,475	144,893	450,368
Prepaid inventory		888,204	-	888,204
Deferred income tax assets – current		-	1,457	1,457
Other current assets		9,346	7	9,353
Long-term equity investment		3,952,393	-	3,952,393
Buildings and plants		75,868	-	75,868
Machinery and equipment		293,334	391,219	684,553
Prepayment for equipment and construction in progress		51,982	204,683	256,665
Leasehold improvements		-	50,899	50,899
Deferred pension cost		26,401	137	26,538

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SINO-AMERICAN SILICON PRODUCTS INC.

Notes To Financial Statements

	Global-Wafers	Sino Sapphire	Total
Liabilities:			
Accounts payable	(58,781)	(17,398)	(76,179)
Expense payable and other current liabilities	(82,058)	(16,370)	(98,428)
Accrued pension liabilities	(26,401)	(137)	(26,538)
Deferred tax liabilities	(75,195)	-	(75,195)
Net assets	7,162,334	1,600,000	8,762,334
Effect of changes in foreign exchange rates	(232,334)	-	(232,334)
	$ 6,930,000	1,600,000	8,530,000

The Company has already obtained permission to continue listing on the GTSM after the spin-off. The permission is in accordance with Article 15-20 of the GTSM Rules Governing Securities Trading on the GTSM.

2. Approval date of the financial statements

The accompanying parent-company-only financial statements were authorized for issuance by the board of directors on March 20, 2014.

3. New standards and interpretations not yet adopted

(1) New standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

The International Accounting Standards Board ("IASB") issued International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"), which was to be effective on January 1, 2013. (In December 2011, the IASB postponed the effective date until January 1, 2015.) This standard has been endorsed by the FSC; however, the effective date has not been announced. In accordance with FSC rules, early adoption is not permitted, and companies shall follow the guidance in the 2009 version of International Accounting Standard 39 Financial Instruments: Recognition and Measurement ("IAS 39"). Upon the adoption of this new standard, it is expected there will be significant impacts on the classification and measurement of financial instruments in the parent-company-only financial statements.

(Continued)

(2) Newly issued, revised or amended standards and interpretations not yet endorsed by the FSC

Summary of the new standards and amendments issued by the IASB not yet endorsed by the FSC that may have an impact on the financial statements:

Issue date	New standards and amendments	Description and influence	Effective date per IASB
May 12, 2011	• IFRS 10 *Consolidated Financial Statements*	On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments. The new standards provide a single model for determining whether an entity has control over an investee. However, the original guidance and method apply to the consolidation process.	January 1, 2013
June 28, 2012	• Amended IAS 28 *Investments in Associates and Joint Ventures*	On June 28, 2012, amendments were issued clarifying the guidance over the transition period. At the adoption of this standard, some of the determinations of the investees could be changed, which would increase the disclosure of the equity of the subsidiaries and associates.	
May 12, 2011	• IFRS 13 *Fair Value Measurement*	IFRS 13 replaces fair value measurement guidance in other standards and integrates them as one single guidance. At the adoption of this standard, the Company should analyze the impact on the measurement of assets and liabilities. The amendment could also increase the disclosure of their fair value.	January 1, 2013
June 16, 2011	• Amended IAS 1 *Presentation of Financial Statements*	Items presented in other comprehensive income shall be expressed based on whether they are potentially re-classifiable to profit or loss subsequently. Upon adoption, this standard could change the disclosure of the other comprehensive income in the statement of profit or loss and other comprehensive income.	July 1, 2012
June 16, 2011	• Amended IAS 19 *Employee Benefits*	The amendments eliminate the corridor method and require enterprises to recognize changes in the net defined benefit liability (asset) in profit or loss; in addition, require the immediate recognition of past service cost. Upon adoption, the standard could change the measurement and presentation of the pension liability and actuarial gains or losses.	January 1, 2013

SINO-AMERICAN SILICON PRODUCTS INC.

Notes To Financial Statements

Issue date	New standards and amendments	Description and influence	Effective date per IASB
November 19, 2013	• Amended IFRS 9 *Financial Instruments*	The amendment adopts a more principle-based approach to make hedge accounting more closely focus on risk management and simplifies the hedge accounting model, including more lenient qualifying criteria for applying and discontinuing hedge accounting and expanding the list of eligible items. Upon adoption, the Company may increase transactions applying hedge accounting and change the measurement and disclosure of hedging instruments and hedged items.	Not yet determined; early adoption is permitted.
December 16, 2011	• Amended IFRS 7 *Financial Instruments: Disclosures* • Amended IFRS 9 *Financial Instruments*	Amended the effective date so that IFRS 9 and IFRS 7 are required to be applied for annual periods beginning on or after January 1, 2015. The amendments made to IFRS 9 in November 2013 remove the mandatory effective date because the IASB decided that a mandatory date of January 1, 2015, would not allow sufficient time for entities to prepare to apply the new standard.	Not yet determined; early adoption is permitted.
May 17, 2012	• Amended IAS 1 *Presentation of Financial Statements* • Amended IAS *16 Property, Plant and Equipment* • Amended IAS 32 *Financial Instruments: Presentation*	Annual Improvements to IFRSs – 2009-2011 Cycle, requires the lowest level of disclosure. Upon adoption, the Company will increase the disclosures of comparable financial statement information.	January 1, 2013
May 29, 2013	• Amended IAS 36 *Impairment of Assets*	According to amendments to IAS 36 published in January 2013, an entity is required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This provision is amended so that the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. In addition, if the recoverable amount is based on fair value less costs of disposal, the valuation technique(s) used for fair value measurements categorized within Levels 2 and 3 of the fair value hierarchy and the key valuation assumptions made are required to be disclosed. Upon adoption, the standard could change the measurement and presentation of goodwill or intangible assets.	January 1, 2014; early adoption is permitted.

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SINO-AMERICAN SILICON PRODUCTS INC.

Notes To Financial Statements

Issue date	New standards and amendments	Description and influence	Effective date per IASB
December 12, 2013	• Amended IAS 24 *Related Party Disclosures*	Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Upon adoption, the amendment will increase disclosure of information on related parties.	July 1, 2014; early adoption is permitted.

4. Summary of significant accounting policies

The significant accounting policies presented in the financial statements are summarized as follows. Except for those described individually, the significant accounting policies have been applied consistently in all periods presented in the parent-company-only financial statements.

The Company's parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

(1) Statement of compliance

These parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

These are the Company's first annual IFRS parent-company-only financial statements, and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance, and cash flows of the Company is provided in note 39.

(2) Basis of preparation

A. Basis of measurement

The parent-company-only financial statements have been prepared on a historical cost basis except for the following material items in the parent-company-only statements of financial position:

(a) Financial instruments designated as at fair value through profit or loss are measured at fair value (including derivative financial instruments);

(b) Available-for-sale financial assets are measured at fair value.

(Continued)

B. Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The NTD is the Company's functional currency, which is also the Company's presentation currency. All financial information presented in NTD has been rounded to the nearest thousand.

(3) Foreign currency

A. Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. Foreign currency differences of Available-for-sale equity investments are recognized in other comprehensive income while other differences are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the exchange differences on translation in equity.

(4) Classification of current and non-current assets and liabilities

The Company classifies an asset as current when any one of the following requirements is met. Assets that are not classified as current are non-current assets.

A. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

B. It holds the asset primarily for the purpose of trading;

C. It expects to realize the asset within twelve months after the reporting period; or

D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

The Company classifies a liability as current when any one of the following requirements is met. Liabilities that are not classified as current are non-current liabilities.

A. It expects to settle the liability in its normal operating cycle;

B. It holds the liability primarily for the purpose of trading;

C. The liability is due to be settled within twelve months after the reporting period; or

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

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The time deposits with maturities of less than three months are used for short-term cash commitments instead of investment and are subject to an insignificant risk of changes in their fair value, and are classified as cash and cash equivalents.

(6) Financial instruments

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

A. Financial assets

The Company classifies financial assets into the following categories: Financial assets measured at fair value through profit or loss, available-for-sale financial assets, and receivables.

(a) Financial assets measured at fair value through profit or loss

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term.

The Company designates financial assets, other than ones classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

i. Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

ii. Performance of the financial asset is evaluated on a fair value basis;

iii. A hybrid instrument contains one or more embedded derivatives.

(Continued)

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in a statement of comprehensive income account. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their cost less any impairment losses, and are included in financial assets carried at cost.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in non-operating income and expenses.

(c) Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise notes and accounts receivable and other receivables. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses. Interest on short-term accounts receivable is not calculated because it does not have significant influence.

Interest income is included in non-operating income and expenses.

(d) Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

(Continued)

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its 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 is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

Trade receivable impairment losses and recoveries are recognized as general and administrative expenses. Financial assets excluding trade receivable impairment losses and recoveries are recognized in profit or loss, and they are included in a statement of comprehensive income account.

(e) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(Continued)

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses from available-for-sale financial assets is recognized in profit or loss, and recognized in non-operating income and expenses.

The Company separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in other income or loss.

A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

B. Financial liabilities and equity instruments

(a) Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.
Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing.

Interest related to a financial liability is recognized in profit or loss, and it is recorded in non-operating income and expenses. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

(b) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise short-term borrowings, accounts payable, and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method.

Interest related to a financial liability is recognized in non-operating income and expenses.

(Continued)

(c) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in non-operating income and expenses.

(d) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

C. Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(7) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted-average-cost method and includes expenditure and other costs incurred in bringing them to their existing location and condition. The difference between standard cost and actual cost is recognized as operating cost.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

(8) Investment in associates

Associates are those entities in which the Company has significant influence and that are neither a subsidiary nor a joint venture. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company’s share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

(Continued)

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

(9) Investment in subsidiaries

The subsidiaries which are controlled by the Company are measured under the equity method in the parent-company-only financial statements. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions.

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. The cost of software is capitalized as part of the equipment if the purchase of the software is necessary for the equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless its useful life and depreciation method are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as non-operating income and expenses.

(Continued)

B. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company and the amount can be reliably measured. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

C. Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The estimated useful lives for the current and comparative years are as follows:

(a) buildings: 2 to 40 years

(b) plant and equipment: 2 to 15 years

(c) office and other equipment: 2 to 20 years

Plant and equipment constitute mainly buildings; mechanical and electrical power equipment; and related engineering, wastewater containing engineering, etc. Each part is depreciated based on its useful life of 25~30 years, 25 years, and 4~15 years, respectively.

Depreciation methods, useful lives, and residual values are reviewed at each fiscal year-end. If expectations differ from the previous estimates, the change is recorded as a change in accounting estimate.

(11) Intangible assets

A. Research & development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred:

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

(b) The intention to complete the intangible asset and use or sell it.

(c) The ability to use or sell the intangible asset.

(Continued)

(d) The probability that the intangible asset will generate future economic benefits.

(e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

(f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

B. Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

C. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

D. Amortization

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization of assets, other than goodwill, is recognized in profit or loss on a straight-line basis over the estimated useful lives ranging from 2 to 5 years from the date that they are available for use.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change is treated as a change in accounting estimates.

(12) Impairment – non financial assets

Except for inventories and deferred income tax assets, the Company assesses whether impairment occurred in non-financial assets on every reporting date, and estimates the recoverable amount. If it is not possible to determine the recoverable amount for an individual asset, the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Company re-assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

(Continued)

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount as a reversal of a previously recognized impairment loss.

Notwithstanding whether indicators exist, recoverability of goodwill is required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. If the carrying amount of the cash-generating unit exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss, and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(13) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expense.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(14) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under capital surplus – treasury share transactions; Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

(Continued)

(15) Revenue recognition

A. Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

B. Services

The Company provides consultant and management service. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

(16) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

B. Defined benefit plans

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date (market yield of government bonds) on bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

(Continued)

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan or on settlement of the plan liabilities.

All actuarial gains and losses at January 1, 2012, the date of transition to the IFRSs endorsed by the FSC, were recognized in retained earnings. The Company recognizes all actuarial gains and losses arising subsequently from defined benefit plans in other comprehensive income.

Pension cost for a period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

C. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Under short-term cash bonus or profit-sharing plans a liability is recognized for the amount expected to be paid if the Company has either a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(17) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(18) Income taxes

Income tax expenses are the aggregate amount of current income taxes and deferred income taxes. Except for expenses relating to business combinations recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

(Continued)

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

A. Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

B. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

C. Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

A. The entity has the legal right to settle tax assets and liabilities on a net basis; and

B. The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

   (a) levied by the same taxing authority; or

   (b) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

Effective from 2012, pursuant to Article 40 of the “Business Mergers and Acquisitions Act”, the Company has adopted filing a combined business income tax return with its subsidiaries, and the Company is elected as the taxpayer for such combined business income tax returns to declare a combined business income tax as provided in the Income Tax Act, and to declare the undistributed earnings with an additional ten percent business income tax; however, any other tax-related matters shall be carried out separately by the Company and its subsidiary companies.

(Continued)

The Company and its subsidiaries firstly calculated their respective income tax provisions according to IAS No. 12 “Income Taxes” and reconciled the difference between the separate income tax returns and the combined business income return. The differences were allocated to all Company entities on a reasonable, systematic, and consistent basis and consequently to the current year’s income tax expenses and deferred income tax expenses.

(19) Business combination

A. Acquisition after January 1, 2012 (inclusive)

For those acquisitions occurring after January 1, 2012 (inclusive), goodwill is measured as an aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Company shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter. If the business combination is achieved in stages, the Company shall measure any non-controlling equity interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets.

In a business combination is achieved in stages, the Company shall re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Company may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Company had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Company shall retrospectively adjust the provisional amounts recognized at the acquisition date, or recognize additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

All the transaction costs incurred for the business combination are recognized immediately as the Company’s expenses when incurred, except for the issuance of debt or equity instruments.

(Continued)

B. Acquisition before January 1, 2012

Upon conversion to the IFRSs endorsed by the Financial Supervisory Commission, R.O.C., the Company can choose to restate all business combinations that occurred after January 1, 2012 (inclusive). For those acquisitions that occurred prior to January 1, 2012, the amount of goodwill is recognized in accordance to the Regulations Governing the Preparation of Financial Reports issued by the Financial Supervisory Commission on January 10, 1999, and the financial accounting standards and interpretations issued by the Accounting Research and Development Foundation (former generally accepted accounting principles).

(20) Earnings per share

The Company discloses basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible preference shares, convertible notes, employee stock options, unvested restricted stock awards, and employee bonus.

(21) Operating segment information

The Company discloses operating segment information in the consolidated financial statements; therefore, please refer to the consolidated financial statements.

5. Significant sources of accounting judgments, estimations, assumptions, and estimation uncertainty

The preparation of the parent-company-only financial statements requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting assumptions, estimates and judgments. Management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements is included in the following notes:

(1) Gain or loss of control of subsidiaries (note 13)

(2) Impairment of property, plant and equipment (note 14)

(3) Provision (note 17)

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC.

Notes To Financial Statements

6. Cash and cash equivalents

		December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$	422	416	454
Cash in banks		342,804	458,738	2,004,567
Cash equivalent – time deposits		-	-	400,000
	$	343,226	459,154	2,405,021

Please refer to note 29 for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

7. Financial assets and liabilities at fair value through profit or loss – current

As of December 31, 2013 and 2012, the Company did not hold any derivative instruments presented as held-for-trading financial assets.

On January 1, 2012, the Company held the following derivative instruments presented as held-for-trading financial assets:

January 1, 2012					
Purchased	Sold	Nominal Amount	Contract Period		Fair Value
JPY	USD	USD 30,000	2011.10.31~2012.01.31	$	22,824
JPY	USD	USD 40,000	2011.10.31~2012.01.31		21,098
				$	43,922

In 2013 and 2012, due to changes in the fair value of the above financial instruments, the Company recognized net valuation loss on financial instruments to $0 and $6,407 thousand, respectively, in the comprehensive income statements.

8. Notes receivable and trade receivables, net

		December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable	$	-	6,843	2,180
Trade receivables		706,550	202,820	362,412
Less: Provision for impairment		(4)	-	(5,857)
	$	706,546	209,663	358,735

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC.

Notes To Financial Statements

The movement in the allowance for impairment with respect to trade receivables during the year was as follows:

	2013	2012
Opening balance	$ -	5,857
Impairment loss recognized	4	(5,857)
Ending balance	$ 4	-

Aging analysis of accounts receivable that are individually determined to be impaired:

	December 31, 2013		December 31, 2012		January 1, 2012	
	Gross amount	Impairment loss	Gross amount	Impairment loss	Gross amount	Impairment loss
Overdue 31~60 days	$ 24	4	-	-	3,688	-
Overdue 61~90 days	-	-	-	-	209	-
Overdue 91~120 days	-	-	-	-	50,459	5,857
	$ 24	4	-	-	54,356	5,857

9. Inventories

	December 31, 2013	December 31, 2012	January 1, 2012
Finished goods	$ 151,417	143,796	236,344
Work in progress	134,606	25,963	61,730
Raw materials	539,476	105,297	206,035
Supplies	65,630	64,666	131,428
	$ 891,129	339,722	635,537

In 2013 and 2012, the components of cost of goods sold as a result of the net realizable value of inventory being lower than its cost were $3,607 thousand and $15,281 thousand, respectively; unallocated fixed factory overhead was $586,036 thousand and $575,504 thousand, respectively, and was included in cost of sales.

As of December 31, 2013 and 2012, and January 1, 2012, the Company did not use inventory as collateral.

10. Available-for-sale financial assets – non-current

	December 31, 2013	December 31, 2012	January 1, 2012
Solartech Energy Crop.	$ 764,956	520,223	789,028
Actron Technology Crop.	235,289	183,105	265,140
	$ 1,000,245	703,328	1,054,168

Please refer to note 26 for gain on disposal of available-for-sale financial assets.

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC.

Notes To Financial Statements

For fair values of financial instruments recognized in other comprehensive income, refer to note 28.

As of December 31, 2013 and 2012, and January 1, 2012, the Company did not use the above financial assets as collateral.

If the equity market price had changed, the impact on other comprehensive income would have been as follows if calculated on the same basis for both years and assuming that all other variables remained the same:

Equity market price at reporting date		2013	2012
Increase 10%	$	100,025	70,333
Decrease 10%	$	(100,025)	(70,333)

11. Financial assets measured at cost – non-current

		December 31, 2013	December 31, 2012	January 1, 2012
Equity investment	$	816,538	803,105	605,105
Accumulated impairment loss		(21,510)	(21,510)	(21,510)
	$	795,028	781,595	583,595

Accumulated impairment loss movement:

		December 31, 2013	December 31, 2012	January 1, 2012
Opening balance	$	21,510	21,510	147,411
Impact of spin-off		-	-	(125,901)
Ending balance	$	21,510	21,510	21,510

The equity investments held by the Company are measured at amortized cost at year-end given that the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Company's management determined that the fair value cannot be measured reliably.

As of December 31, 2013 and 2012, and January 1, 2012, the Company did not use the above financial assets as collateral.

(Continued)

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12. Investments accounted for using the equity method

The carrying amounts for equity-accounted investees at the reporting date were as follows:

		December 31, 2013	December 31, 2012	January 1, 2012
Investees:				
Subsidiaries	$	16,234,807	15,194,481	9,838,876
Associates		1,475,653	1,545,123	1,839,581
	$	17,710,460	16,739,604	11,678,457

(1) Subsidiaries

Please refer to the consolidated financial statements for the years ended December 31, 2013 and 2012.

(2) Associates

Summarized financial information of associates is as follows (without adjustment for the Company's proportionate share):

		December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$	4,306,449	6,184,550	7,193,088
Total liabilities	$	1,409,241	1,608,896	1,881,581

		2013	2012
Revenue	$	1,960,487	2,331,396
Net loss	$	451,510	747,489

(3) Summary of the share of the profit or loss of subsidiaries and associates accounted for using the equity method

		2013	2012
Subsidiaries	$	1,496,886	(7,390)
Associates		(226,333)	(294,457)
	$	1,270,553	(301,847)

On August 1, 2013, the Company acquired Sinosolar Corp. Ltd. (Sinosolar) and Sunrise Global Solar Energy Corp. (SGSE) and obtained control of them. After the combination, Sinosolar was dissolved and SGSE was incorporated into the consolidated financial statements starting August 1, 2013. Please refer to note 13 for further information.

As of January 1, 2013, after subsidiary Sino Sapphire Co., Ltd. combined with Crystalwise Technology Inc., the Company owned 42.80% of the shares of Crystalwise Technology Inc. As a result, the Company has significant influence on Crystalwise Technology Inc.

Pursuant to a board meeting resolution on January 12, 2012, the Company subscribed 133,056 thousand newly issued common shares of Global Wafer's capital increase by cash at $40 per share, and the total subscription amount was $5,322,240 thousand.

Pursuant to a board meeting resolution on June 21, 2012, the Company's long-term receivable from SSTI of $766,183 thousand (approximately USD25,295 thousand) was entirely transferred to investment funding using a debt-to equity swap.

As of December 31, 2013 and 2012, and January 1, 2012, the Company did not use the above investments as collateral.

13. Business combinations

(1) Acquisition of subsidiary

The business combination with Sinosolar Corp. Ltd. was resolved by the stockholders' general meeting on June 25, 2013. Pursuant to a board meeting resolution on July 26, 2013, the acquisition effective date was August 1, 2013. The Company purchased 58.12% of Sinosolar shares for $809,875 thousand in cash to take control of Sinosolar. As a result, the Company's equity interest in Sinosolar increased from 41.88% to 100%. Sinosolar was a manufacturer of solar cells. After acquisition, Sinosolar was dissolved.

In May 2013, the Company obtained control of Sunrise Global (a manufacturer and distributor of solar cells) by acquiring 3.47% of the shares for $165,358 thousand in cash. Moreover, the Company obtained 32.25% of Sunrise Global shares by acquiring Sinosolar. As a result, the Company's equity interest in Sunrise Global increased from 15.23% to 50.95%.

Acquisition of Sunrise Global will enable the Company to achieve vertical integration of the solar business in order to improve business performance and competitiveness. An exchange ratio, which was approved in both companies' board meeting resolution on August 12, 2013, was set as 2.16 common shares in exchange for one common share of the Company. The Company issued 56,888 thousand new shares for this business combination. After the combination, total Company shares are 580,007 thousand shares.

The above acquisition was approved by the stockholders' meeting of Sunrise Global on September 30, 2013. In order to receive approval from the authorities, Sunrise Global planned to dissolve. The prescheduled acquisition date was January 1, 2014. Because the acquisition was in progress, the prescheduled acquisition date was postponed, and the president was authorized to negotiate with Sunrise Global to set a new acquisition date based on the actual status. As of March 20, 2014, the acquisition is still in progress.

The Company re-measured the fair value of its existing equity interest in Sinosolar (41.88%) and Sunrise Global (18.70%) before the business combination, and the resulting loss of $123,689 thousand and $196,446 thousand is recognized as "gains or losses arising from disposal of investment" in the statement of comprehensive income.

In the five months to December 31, 2013, Sinosolar and Sunrise Global contributed profit after tax of $41,224 thousand to the Company's results. If the acquisition had occurred on January 1, 2013, management estimates that consolidated profit after income tax would have been $464,624 thousand. In determining these amounts, management assumed that the acquisition occurred on January 1, 2013, and the provisional fair values are adjusted accordingly.

The Company's subsidiary GlobalWafers acquired GWJ on April 1, 2012. Please refer to the consolidated financial report. In the nine months to December 31, 2012, GWJ contributed loss after tax of $(2,432,219) thousand to the Company's results. If the acquisition had occurred on January 1, 2012, management estimates that consolidated loss after income tax would have been $(3,015,272) thousand. In determining these amounts, management assumed that the acquisition occurred on January 1, 2012, and the provisional fair values are adjusted accordingly.

For the fair value of the consideration transferred and net assets and net liability acquired at the acquisition date, please refer to the consolidated financial report.

(2) Cost of acquisition

The $2,935 thousand of legal fees and on-site examination expenses incurred as a result of acquisition is recognized as other expenses in the statement of profit or loss and other comprehensive income.

(3) Loss of control

The Company's subsidiary Sino Sapphire was eliminated after it was acquired by Crystalwise Technology and the Company therefore lost control 95.12% ownership of Sino Sapphire. The disposal consideration was $1,692,284 thousand, and disposal profit of $300,909 thousand was recognized as "gains or losses arising from disposal of investment" in the statement of profit or loss and other comprehensive income.

For the fair value of the consideration transferred and the net assets and net liability disposed of, please refer to the consolidated financial report.

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14. Property, plant and equipment

(1) The cost, depreciation, and impairment of the property, plant and equipment of the Company in 2013 and 2012 were as follows:

		Building and construction	Machinery and equipment	Other equipment	Equipment under installation and construction in progress	Total
Cost:						
Balance at January 1, 2013	$	2,514,436	5,775,987	927,510	44,448	9,262,381
Additions		9,497	55,109	16,391	(1,915)	79,082
Disposals		-	(20,865)	(262)	-	(21,127)
Balance at December 31, 2013	**$**	**2,523,933**	**5,810,231**	**943,639**	**42,533**	**9,320,336**
Balance at January 1, 2012	$	2,406,402	5,675,527	890,334	265,620	9,237,883
Additions		108,034	136,498	37,335	(217,882)	63,985
Disposals		-	(36,038)	(159)	(3,290)	(39,487)
Balance at December 31, 2012	**$**	**2,514,436**	**5,775,987**	**927,510**	**44,448**	**9,262,381**
Depreciation:						
Balance at January 1, 2013	$	513,468	3,678,553	222,555	-	4,414,576
Depreciation for the year		151,031	814,897	77,829	-	1,043,757
Disposals		-	(20,236)	(122)	-	(20,358)
Balance at December 31, 2013	**$**	**664,499**	**4,473,214**	**300,262**	**-**	**5,437,975**
Balance at January 1, 2012	$	369,887	2,699,890	147,468	-	3,217,245
Depreciation for the year		143,581	981,131	75,246	-	1,199,958
Disposals		-	(2,468)	(159)	-	(2,627)
Balance at December 31, 2012	**$**	**513,468**	**3,678,553**	**222,555**	**-**	**4,414,576**
Carrying amounts:						
Balance at December 31, 2013	**$**	**1,859,434**	**1,337,017**	**643,377**	**42,533**	**3,882,361**
Balance at December 31, 2012	**$**	**2,000,968**	**2,097,434**	**704,955**	**44,448**	**4,847,805**
Balance at January 1, 2012	**$**	**2,036,515**	**2,975,637**	**742,866**	**265,620**	**6,020,638**

(2) Collateral

As of December 31, 2013 and 2012, and January 1, 2012, property, plant and equipment were subject to a registered debenture to secure bank loans (please refer to note 33).

(Continued)

15. Short-term borrowings

		December 31, 2013	December 31, 2012	January 1, 2012
Unsecured borrowings	$	1,004,800	300,000	100,000
Material procurement loans		102,371	-	-
	$	1,107,171	300,000	100,000
Unused facility	$	2,148,436	3,000,000	4,073,931
Interest rates applied		**1.07%~ 1.15%**	**1.30%**	**1.54%**

The Company's short-term borrowings include NTD and USD.

16. Long-term borrowings

Details of the Company's long-term borrowings were as follows:

	December 31, 2013				
	Currency	Interest rate range	Duration		Amount
Taiwan Cooperative Bank (lead bank of syndicated loan)	NTD	1.79%	2013.05.09~2018.05.09	$	2,489,450
Taiwan Cooperative Bank	NTD	1.50%	2013.06.28~2016.06.28		400,000
China Citic Bank	NTD	1.59%	2013.10.31~2015.10.31		350,000
Mega International Commercial Bank	NTD	1.50%	2013.07.06~2015.07.05		300,000
E. Sun Bank	NTD	1.58%	2012.07.31~2015.07.31		400,000
Bank of Taiwan	NTD	1.55%	2013.08.12~2016.08.12		300,000
Fubon Bank	NTD	1.51%	2013.11.27~2015.11.27		300,000
Total				$	4,539,450
Current portion				$	166,667
Non-current portion					4,372,783
Total				$	4,539,450
Unused credit facility				$	1,500,000

(Continued)

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	December 31, 2012			
	Currency	**Interest rate range**	**Duration**	**Amount**
Citibank Taiwan (lead bank of syndicated loan)	NTD	3.0389%	2012.03.05~2017.03.03	$ 2,703,477
Chang Hwa Bank (lead bank of syndicated loan)	NTD	1.65%	2008.03.12~2013.03.31	300,000
Mega International Commercial Bank (lead bank of syndicated loan)	NTD	1.65%	2008.12.18~2014.02.17	800,000
E. Sun Bank	NTD	1.57%	2012.07.31~2015.07.31	400,000
Fubon Bank	NTD	1.30%	2012.12.21~2014.12.21	300,000
First Bank	NTD	1.40%	2011.07.04~2014.07.04	375,000
Total				**$ 4,878,477**
Current portion				$ 3,643,477
Non-current portion				1,235,000
Total				**$ 4,878,477**
Unused credit facility				**$ 725,000**

	January 1, 2012			
	Currency	**Interest rate range**	**Duration**	**Amount**
Chang Hwa Bank (lead bank of syndicated loan)	NTD	1.65%	2008.03.12~2013.03.31	$ 898,518
Mega International Commercial Bank (lead bank of syndicated loan)	NTD	1.65%	2008.12.18~2014.02.17	1,437,604
E. Sun Bank	NTD	1.54%	2009.06.15~2012.06.15	75,000
Fubon Bank	NTD	1.33%	2011.12.29~2014.03.24	280,000
First Bank	NTD	1.38%	2011.12.26~2014.03.23	400,000
Total				**$ 3,091,122**
Current portion				$ 1,995,000
Non-current portion				1,096,122
Total				**3,091,122**
Unused credit facility				**$ 1,206,769**

On March 12, 2008, the Company entered into an agreement for syndicated loan credit facilities of $2,500,000 thousand with Chang Hwa Bank and 7 other banks. These credit facilities contained covenants that required the Company, on its annual and semiannual consolidated financial statements, to maintain certain financial ratios such as current ratio, debt ratio, and interest coverage ratio, and a specific amount of net worth as specified in the loan agreement.

(Continued)

On December 18, 2008, the Company entered into an agreement for syndicated loan credit facilities of $2,500,000 thousand with Mega International Commercial Bank and 5 other banks. These credit facilities contained covenants that required the Company, on its annual and semiannual consolidated financial statements, to maintain certain financial ratios such as current ratio, debt ratio, and interest coverage ratio, and a specific amount of net worth as specified in the loan agreement.

On March 5, 2012, the Company entered into an agreement for syndicated loan credit facilities of $6,200,000 thousand and JPY7,750,000 thousand with Citibank and 10 other banks. These credit facilities contained covenants that required the Company, six months after the first date of application, to maintain certain financial ratios such as current ratio, debt ratio, and interest coverage ratio, and a specific amount of net worth as specified in the loan agreement on its annual and semiannual consolidated financial statements.

As stipulated in the agreement between the Company and Citibank and 10 other banks, the Company shall give priority to repaying the syndicated loan when it has successfully completed a capital increase by cash. On June 22, 2012, the board of directors resolved to increase capital by cash in the amount of $3,461,600 thousand, and as of December 31, 2012, the registration procedure was completed. The Company repaid the syndicated loan on July 3, 2012.

According to the syndicated loan agreement with Citibank Taiwan, the Company can consider early repayment and cancellation of the credit facilities. The Company repaid the balance of the syndicated loan in February 2013.

On May 6, 2013, the Company entered into an agreement for syndicated loan credit facilities of $4,000,000 thousand with Taiwan Cooperative Bank (TCB) and 5 other banks. These credit facilities contained covenants that required the Company during the agreement period to maintain certain financial ratios such as current ratio, debt ratio, and interest coverage ratio, and a specific amount of net worth as specified in the loan agreement on its audited annual and semiannual consolidated financial statements.

In accordance with the syndicated loan agreement with TCB and 5 other banks, the Company utilized the credit facilities for priority repayment of the balance of the syndicated loan with Citibank and 10 other banks. In May 2013, the Company fully repaid the syndicated loan with Citibank and 10 other banks and cancelled the credit facilities.

If the Company does not maintain certain financial ratios as specified in the loan agreements, the Company should apply for a waiver, stating therein the reasons and measures to be taken, based on the loan agreements. The banks have the right to request repayment if they verify a breach of the loan agreement.

According to the loan agreements, a commitment fee is charged at an annual rate of 0.1% to 0.2% of the committed-to-withdraw but unused balance, if any. As of December 31, 2013, the credit facilities had been withdrawn on schedule and no commitment fee was paid.

Pursuant to a board meeting resolution on March 26, 2013, the Company decided to repay the balance of the syndicated loan from Citibank Taiwan and therefore classified the balance of long-term borrowings to short-term borrowings.

The Company’s 2013 consolidated finical statements meet the financial ratio requirement.

(Continued)

Please refer to note 29 for information on the Company's interest rate risk, foreign currency risk, and liquidity risk.

Please refer to note 23 for information on pledged assets.

17. Provision

		Onerous contract
Balance at January 1, 2013	$	266,616
Provisions reversed during the year		(147,097)
Balance at December 31, 2013	**$**	**119,519**
Balance at January 1, 2012	$	-
Provisions made during the year		266,616
Balance at December 31, 2012	**$**	**266,616**

The Company entered into several non-cancellable long-term material supply agreements with suppliers of silicon. The suppliers agree to ship silicon according to the agreements' quantity and purchase price from January 1, 2006, to December 31, 2019. The prepayments for materials were non-refundable, non-cancellable, and paid by the Company on the schedule stipulated in the contracts. Material supply is guaranteed by the suppliers. Due to the economic downturn, the market prices of silicon fluctuated rapidly. Therefore, the Company negotiated with some raw material suppliers for the revision of the agreements with regard to the individual purchase prices based on market conditions. However, adjustment of the long-term purchase agreement contract price for some of the supply is still under negotiation; therefore, the Company recognized an onerous contracts provision.

18. Operating lease

Lessee

Non-cancellable lease payments as of December 31, 2013 and 2012, and January 1, 2012, were as follows:

		December 31, 2013	December 31, 2012	January 1, 2012
Less than one year	$	8,690	5,294	5,557
Between one and five years		31,833	15,704	15,704
More than five years		55,800	33,365	37,291
	$	**96,323**	**54,363**	**58,552**

The Company recognized $9,976 thousand and $8,614 thousand as an expense in profit or loss in respect of operating leases for the years ended December 31, 2013 and 2012, respectively.

(Continued)

The Company entered into a land lease agreement with the Hsinchu Science Park Administration for the plant located at the Hsinchu site of the Hsinchu Science Park. The original land lease agreement covered the period from October 1, 2000, to December 30, 2020. According to the lease agreement, rent was subject to adjustment based on the current land value which is announced by the government. The annual rent was approximately $2,747 thousand. The lease agreement was transferred to the Company's subsidiary GlobalWafers starting from October 1, 2011, and the rent term was revised to the period from October 1, 2011, to December 30, 2013. The rent is subject to the regulated land price and is about $816 thousand per year.

The Company entered into a land lease agreement with the Hsinchu Science Park Administration for the plant located at the Chu-Nan site of the Hsinchu Science Park. The land lease agreement covers the period from March 17, 2005, to December 31, 2027. According to the lease agreement, rent is subject to adjustment based on the current land value which is announced by the government. The annual rent is approximately $3,926 thousand.

19. Employee benefits

(1) Defined benefit plans

The Company determined the movement in the present value of the defined benefit obligations and fair value of plan assets as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Total present value of obligations	$ (40,073)	(37,051)	(31,154)
Fair value of plan assets	9,205	8,298	7,371
Recognized liabilities for defined benefit obligations	**$ (30,868)**	**(28,753)**	**(23,783)**

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive a pension benefit based on years of service and average salary for the six months prior to retirement.

A. Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. Minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $9,205 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

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B. Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations of the Company were as follows:

		2013	2012
Defined benefit obligation at January 1	$	37,051	31,154
Current service costs and interest		867	796
Actuarial (losses) gains		2,155	5,101
Defined benefit obligation at December 31	$	**40,073**	**37,051**

C. Movements of defined benefit plan assets

The movements in present value of the defined benefit plan assets of the Company were as follows:

		2013	2012
Fair value of plan assets at January 1	$	8,298	7,371
Expected return on plan assets		163	156
Contributions from plan participants		789	825
Actuarial gains (losses)		(45)	(54)
Fair value of plan assets at December 31	$	**9,205**	**8,298**

D. Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

		2013	2012
Current service costs	$	357	328
Interest on obligation		510	468
Expected return on plan assets		(163)	(156)
	$	**704**	**640**
Actual return on assets	$	**118**	**102**

E. Actuarial gains and losses recognized in other comprehensive income

The Company's actuarial gains and losses recognized in other comprehensive income were as follows:

		2013	2012
Cumulative amount at January 1	$	(19,997)	(14,842)
Recognized during the period		(2,200)	(5,155)
Cumulative amount at December 31	$	**(22,197)**	**(19,997)**

(Continued)

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F. Actuarial assumptions

The following are the Company's principal actuarial assumptions on the financial reporting date:

(a) Present value of defined benefit obligations

	2013	2012
Discount rate	1.750%	1.375%
Expected rate of return on plan assets	2.000%	1.875%
Rate of increase in future compensation levels	2.000%	2.000%

(b) Cost of defined benefit plan

	2013	2012
Discount rate	1.375%	1.500%
Expected rate of return on plan assets	1.875%	2.000%
Rate of increase in future compensation levels	2.000%	2.000%

G. Experience adjustments on historical information

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ (40,073)	(37,051)	(31,154)
Fair value of plan assets	9,205	8,298	7,371
Net liabilities of defined benefit obligations	**$ (30,868)**	**(28,753)**	**(23,783)**
Experience adjustments arising on present value of defined benefit plan	**$ (4,905)**	**(5,102)**	**-**
Experience adjustments arising on fair value of plan assets	**$ (45)**	**(54)**	**-**

The expected allocation payment made by the Company to the defined benefit plans for the one-year period after he reporting date is $780 thousand.

H. When calculating the present value of the defined benefit obligations, the Company uses judgments and estimations to determine the actuarial assumptions, including employee turnover rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

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As of December 31, 2013, the Company's accrued pension liabilities were $30,868 thousand. Had the discount rate (or salary increase rate) increased or decreased by 0.25%, the Company's accrued pension liabilities would have changed as follows:

	Accrued pension liabilities	
Actuarial assumptions	**Increase 0.25%**	**Decrease 0.25%**
Discount rate	$ (1,041)	1,080
Salary increase rate	$ 1,049	(1,016)

(2) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations thereafter.

The Company's pension costs under the defined contribution method were $18,202 thousand and $18,402 thousand for 2013 and 2012, respectively. Payment was made to the Bureau of Labor Insurance.

20. Income taxes

(1) Tax expense

For the years ended December 31, 2013 and 2012, the components of income tax benefits were as follows:

	2013	2012
Current tax benefits		
Current period	$ (68,068)	-
Adjustment for prior years	(507)	(93,275)
	(68,575)	(93,275)
Deferred tax benefits		
Origination and reversal of temporary differences	(104,795)	(47,559)
Total income tax benefits	$ (173,370)	(140,834)

Income tax expense (benefits) recognized directly in other comprehensive income for the years ended December 31, 2013 and 2012, were as follows:

	2013	2012
Foreign currency translation adjustments	$ (4,224)	9,898

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Reconciliation of income tax and profit before tax for 2013 and 2012 is as follows:

	2013	2012
Profit (loss) excluding income tax	$ 121,748	(2,715,484)
Income tax using the Company's domestic tax rate	20,698	(461,632)
Adjustment for effect of permanent differences	(145,206)	(83,925)
(Over) Under-provision in prior periods	(48,862)	404,723
	$ (173,370)	**(140,834)**

(2) Deferred income tax assets and liabilities

A. Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2013	December 31, 2012	January 1, 2012
Deductible temporary differences	$ 98,880	100,267	6,683
Investment tax credits	983,858	910,924	483,851
Loss carryforward	386,642	244,548	-
	$ 1,469,380	**1,255,739**	**490,534**

According to the R.O.C. Income Tax Act, the previous 10 years' losses of the Company as assessed by the tax authorities can offset the current year's net income for income tax purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

As of December 31, 2013, the unused loss carried forward and related expiration year of the Company were as follows:

Year of loss	Unused amount	Year of expiry
2012	$ 209,689	2022
2013	2,064,675	2023
	$ 2,274,364	

As of December 31, 2013, the Company's unused investment tax credits and related expiration years were as follows:

Year of assessment	Expiration year	Remaining credit
2010 (filed)	2010~2014	**$ 983,858**

Since the profitability growth of the Company is yet to stabilize, the Company assumes that the above investment tax credit may not be used, and it therefore has not been recognized as deferred tax assets.

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC.

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B. Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2013 and 2012 are as follows:

	January 1, 2012	Recognized in profit or loss	Recognized in other compre-hensive income	December 31, 2012	Recognized in profit or loss	Recognized in other compre-hensive income	December 31, 2013
Provision for inventory devaluation	$ 17,451	(2,598)	-	14,853	(613)	-	14,240
Investment tax credits	103,300	(30,666)	-	72,934	(72,934)	-	-
Loss carry- forward	-	-	-	-	183,792	-	183,792
Others	8,339	46,312	9,898	64,549	(5,450)	(4,224)	54,875
	$ 129,090	13,048	9,898	152,336	104,795	(4,224)	252,907

	January 1, 2012	Recognized in profit or loss	Recognized in other compre-hensive income	December 31, 2012	Recognized in profit or loss	Recognized in other compre-hensive income	December 31, 2013
Financial instrument	$ (7,467)	7,467	-	-	-	-	-
Investments accounted for using equity method	(27,044)	27,044	-	-	-	-	-
	$ (34,511)	34,511	-	-	-	-	-

(3) Examination and approval

The Company's income tax for the year 2011 has been examined by the tax authorities.

(4) Information related to the unappropriated earnings and tax deduction ratio is summarized below:

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings (accumulated deficits):			
Unappropriated earnings before1998	$ -	10,095	10,095
Unappropriated earnings of 1998 and after	64,423	(1,508,537)	2,172,446
	64,423	(1,498,442)	2,182,541
Balance of deductible tax account	$ 411,012	187,217	312,102

	2013 (estimated)	2012 (actual)
Tax deduction ratio for earnings distribution to ROC residents	$ 20.48%	-

The information related to the unappropriated retained earnings and tax deduction ratio shown in the tables above are prepared in accordance with ruling letter No. 10204562810 issued by the Ministry of Finance, R.O.C., on October 17, 2013.

(Continued)

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21. Capital and other equity

As of December 31, 2013 and 2012, and January 1, 2012, the authorized capital of the Company was $8,000,000 thousand, $8,000,000 thousand, and $6,000,000 thousand, respectively, composed of 800,000 thousand shares, 800,000 thousand shares, and 600,000 thousand shares, respectively, with par value of $10 per share, of which $200,000 thousand was reserved for employee stock options, subscription warrants, and outstanding corporate bonds convertible into shares. As of December 31, 2013 and 2012, and January 1, 2012, the issued capital was $5,231,191 thousand, $5,231,191 thousand, and $4,431,191 thousand, respectively.

Reconciliations of shares outstanding for 2013 and 2012 are as follows (in thousands of shares):

	Common stock	
	2013	**2012**
Balance, January 1	515,526	443,119
Issued for cash	-	80,000
Treasury stock acquired	(170)	(7,593)
Treasury stock transferred to employee	7,763	-
Balance, December 31	**523,119**	**515,526**

(1) Common stock

On September 9, 2010, the Company offered 61,000 thousand global depositary receipts (GDRs) on the Luxembourg Stock Exchange representing 61,000 thousand shares of common stock. Each GDR represents one share of the Company’s common stock. The offering price was US$2.9048 per GDR. The offering and issuance of the GDRs was authorized and approved by the R.O.C. Securities and Futures Bureau (SFB) through its notice letter No. 0990041383 dated August 13, 2010. The total capital received from the offering of these GDRs amounted to US$177,193 thousand on September 9, 2010, and the net proceeds thereof, after deducting the underwriting expense of US$2,262 thousand, amounted to US$174,931 thousand (equivalent to $5,580,288 thousand). The issuance cost for the GDR offering was $11,531 thousand. The paid-in capital in excess of par value of $4,958,757 thousand was recognized as “capital surplus”.

Pursuant to a board meeting resolution on June 22, 2012, the Company increased its common stock by 80,000 thousand new shares for cash at $43.27 per share over the par value, with a total amount of $3,461,600 thousand. The premium minus the underwriter expenses of $9,527 thousand was $2,652,073 thousand, booked at capital surplus. The registration procedures related to the capital increase were completed, and the increase was authorized and approved by the SFB through its notice letter No. 1010023340. The date fixed for the capital increase was June 29, 2012. Additionally, the Company recognized the compensation cost amounting to $170 thousand from issuance of stock for cash.

(Continued)

(2) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Additional paid-in capital	$ 14,491,027	14,491,027	11,838,954
Investments accounted for using equity method	122,068	72,659	70,777
Treasury stock transactions	31,765	546	546
Employee stock options	332,642	314,676	231,112
	$ 14,977,502	14,878,908	12,141,389

According to the revised R.O.C. Company Act, effective from January 2012, capital surplus, including premium from stock issued and donations received, shall be applied to offset accumulated deficits before it can be used to increase common stock and distribute stock dividends or to distribute cash dividends. Pursuant to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of capital surplus capitalized per annum shall not exceed 10 percent of the paid-in capital.

(3) Legal reserve

According to the revised R.O.C. Company Act, 10 percent of the annual earnings after payment of income taxes due and offsetting accumulated deficits, if any, shall be allocated as legal reserve until the accumulated legal reserve equals the issued common stock. When a company incurs no loss, it may, pursuant to a resolution to be adopted by a stockholders' meeting, distribute its legal reserve to stockholders by issuing new shares or by cash, and only the portion of legal reserve which exceeds 25 percent of the issued capital may be distributed.

(4) Special reserve

By choosing to apply exemptions granted under IFRS 1 *First-time Adoption of International Financial Reporting Standards* during the Company's first-time adoption of the International Financial Reporting Standards approved by the Financial Supervisory Commission (IFRSs), unrealized revaluation gains recognized under stockholders' equity and cumulative translation adjustments (gains) shall be reclassified as investment property at the adoption date. According to the regulations, retained earnings would be increased to $161,317 thousand by recognizing the fair value on the adoption date as deemed cost.

The increase in retained earnings occurring before the adoption date due to the first-time adoption of IFRSs amounted to $102,349 thousand. In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as a special earnings reserve during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve amounted to $102,349 thousand on December 31, 2013.

(Continued)

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other stockholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other stockholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other stockholders' equity shall qualify for additional distributions.

(5) Distribution of earnings and dividend policy

According to the Company's articles of incorporation as revised on June 25, 2013, when allocating current year's net profits for each fiscal year, if any, they shall be distributed in the following order:

A. Offset prior year's operating losses;

B. Legal reserve at 10% of the profits left over, until the accumulated legal reserve equals the Company's issued capital;

C. Special reserve in accordance with relevant laws or regulations or as requested by the authorities;

D. After deducting items (a), (b), and (c) above from the net current profits, bonus to directors of the Company of not more than 3% and profit sharing to employees of not less than 10%; the distribution of the remaining portion including the previous years' unappropriated earnings, if any, will be recommended by the board of directors and resolved in the stockholders' meeting.

After considering both the long-term development of the business and the goal of stable growth of earnings per share, distribution of cash dividends should not be less than 50% of total dividends. If employee bonuses are paid in the form of stock subject to compliance with certain conditions, the stock dividends may be paid to the Company's affiliates' qualified employees as determined by the chairman of the board.

For the year ended December 31, 2013, the Company had no remaining earnings after deducting 10% as legal reserve and special reserve; therefore, the Company did not accrue a bonus to directors and profit sharing to employees. For further information, please refer to the Market Observation Post System after the related meetings. The Company did not accrue a bonus to directors and profit sharing to employees due to net loss for the year ended December 31, 2012. For employee stock bonuses, the distribution amount is determined by dividing the total approved bonus amount by the closing market price of the Company's stock one day prior to the approval date and considering the ex-dividend effect. However, if the amounts are modified by the stockholders' meeting in the following year, the adjustment will be treated as a change in accounting estimate and will be reflected in the statement of income in the following year.

(Continued)

The information on dividend per share, employee bonuses, and directors' and supervisors' remuneration allocated from earnings of 2011 which were approved by the stockholders' meeting on June 27, 2012, is as follows:

	2011
Dividend per common share:	
Cash	$ 1.00
Directors' and supervisors' remuneration and Employee bonuses	$ -
Ex-dividend date	August 15, 2012

The stockholders' meeting resolution on June 25, 2013, approved the offsetting of net loss of 2012 through use of legal reserve and special reserve of $773,750 thousand and $604,810 thousand, respectively. No dividend was distributed.

The appropriation of net loss of 2013, however, will be subject to the resolution of the Company's annual board of directors' meeting and annual stockholders' meeting; the information will be available on the Market Observation Post System website.

(6) Treasury stock

The Company acquired common stock from the GreTai Securities Market in accordance with related regulations of the stock exchange. Details of the treasury stock transactions are as follows:

	2013			
Purpose	**January 1,**	**Increase**	**Decrease**	**December 31,**
Transferred to the Company and subsidiaries' employees	$ 7,593	170	7,763	-

	2012			
Purpose	**January 1,**	**Increase**	**Decrease**	**December 31,**
Transferred to the Company and subsidiaries' employees	$ -	7,593	-	7,593

According to the Securities and Exchange Act of the R.O.C., the total shares of treasury stock shall not exceed 10% of a company's issued stock, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital – premium, and realized additional paid-in capital. In compliance with the Securities and Exchange Act of the R.O.C., treasury stock should not be pledged, nor is it entitled to voting rights or dividends.

(Continued)

(7) Other equity

		Foreign exchange differences arising from foreign operation	Financial assets' unrealized profit or loss
January 1, 2013	$	(628,954)	(1,107,472)
Foreign exchange differences (net of taxes):			
The Company		20,623	-
Associates		(880,888)	-
Unrealized gains and losses from available-for-sale investment–the Company		-	304,883
December 31, 2013	$	**(1,489,219)**	**(802,589)**
January 1, 2012	$	-	(766,076)
Foreign exchange differences (net of taxes):			
The Company		(48,325)	-
Associates		(580,629)	-
Unrealized gains and losses from available-for-sale investment–the Company		-	(341,396)
December 31, 2012	$	**(628,954)**	**(1,107,472)**

22. Share-based payment

(1) Employee stock option plans

In June 2010, the board of directors of the Company resolved to issue stock options under the 2010 First Employee Stock Option Plan (the "Plan"), with 10,000,000 granted units. Each unit entitles a participant to subscribe 1 share of the Company's common stock. The contractual life is 6 years. The Plan was approved by the SFB on November 12, 2010, and officially implemented on August 10, 2011. Starting from the grant date according to the vesting schedule, 40%, 60%, 80% and 100% of the options vested on each anniversary date after 2 years, 3 years, 4 years, and 5 years, respectively.

As of December 31, 2013, the Company's outstanding employee stock option plan was as follows:

Item	Authorization date	Grant date	Vesting period	Issued units in thousand	Exercise price per share ($)	Fair value per share on grant date ($)	Adjusted exercise price per share ($)
2010 First Employee Stock Option Plan	November 12, 2010	August 10, 2011	Service periods between two and four years	10,000	60.50	60.50	57.40

(Continued)

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For options granted in 2013 and 2012, the Company recognized compensation cost of $52,784 thousand and $83,564 thousand, respectively, including subsidiaries compensation cost of $34,818 thousand and $0, respectively.

The fair value of the options granted on August 10, 2011, was estimated at the grant date using the Black-Scholes option pricing model with the following weighted-average assumptions:

Expected dividend yield	3.6%
Expected volatility	48.065%
Risk-free interest rate	1.2905%
Remaining contractual life	6 years

The employee stock options that the Company transferred to a subsidiary (GlobalWafers Co.) were 2,175 thousand and 0 in the years ended December 31, 2013 and 2012, respectively. Hence, a summary of the Company's employee stock option plan and related information for the years ended December 31, 2013 and 2012, is as follows:

	2013		2012	
	Options (thousand)	**Weighted-average exercise price**	**Options (thousand)**	**Weighted-average exercise price**
Outstanding at beginning of year	7,825	$57.40	7,825	59.90
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options forfeited (expired)	-	-	-	-
Outstanding at end of year	7,825	57.40	7,825	57.40
Options exercisable at end of year	3,130	-	-	-
Weighted-average fair value of employee stock options (dollars)	$ 23.36		23.36	

As of December 31, 2013 and 2012, and January 1, 2012, the average remaining contractual life of outstanding employee stock options was 2.66 years, 3.66years, and 4.66 years, respectively.

(2) Treasury stock transferred to employees

As of December 31, 2013, the compensation cost arising from transferring treasury stock to employees of the Company and Global Semiconductor Inc. amounted to $46,512 thousand, which included $15,293 thousand pertaining to Global Semiconductor In.

(Continued)

The Company used the Black-Scholes option pricing model with the following weighted-average assumptions:

	2013
Fair value at grant date	6.06
Share price at grant date	39.9
Exercise price	33.8
Expected volatility (%)	34.072%
Expected life (years)	0.0438 year
Expected dividend	3.402%
Risk-free interest rate (%)	0.776%

23. Earnings per share ("EPS")

(1) Basic EPS

		2013	2012
Profit attributable to the Company's shareholders	$	295,118	(2,574,650)
Weighted-average number of shares outstanding during the period		521,925	483,378
Basic EPS (loss per share)	**$**	**0.57**	**(5.33)**

(2) Diluted EPS

The diluted earnings per share were not calculated due to the anti-dilutive effect of the employee stock option plan and the net loss incurred for the years ended December 31, 2013 and 2012.

24. Revenue

Revenue of the Company for the years ended December 31, 2013 and 2012, was as follows:

		2013	2012
Sale of goods	$	5,201,724	4,368,357
Service revenue		3,253	1,080
Processing revenue		3,858	4,133
	$	**5,208,835**	**4,373,570**

25. Other income

		2013	2012
Interest income	$	636	6,961
Dividend income		9,203	10,474
	$	**9,839**	**17,435**

(Continued)

26. Other gains and losses, net

		2013	2012
Foreign exchange gains, net	$	33,501	(137,542)
Gain upon disposal of investment:			
Gain on disposal of available-for-sale financial assets, net		62,342	61,507
Loss on disposal of investment accounted for using equity method		(19,226)	-
Loss on financial assets measured at fair value through profit or loss		-	(6,407)
Others		38,792	52,588
	$	**115,409**	**(29,854)**

27. Share of other comprehensive income of equity-accounted investees

The Company's share of the other comprehensive income of equity-accounted investees of the Company for the years ended December 31, 2013 and 2012, was as follows:

		2013	2012
Actuarial loss on defined benefit obligations	$	(6,264)	(10,378)
Foreign currency translation adjustments		(1,061,790)	(687,454)
Income tax expense (benefit) recognized in other comprehensive income		180,902	106,825
	$	**(887,152)**	**(591,007)**

28. Reclassification of other comprehensive income

Reclassification of components of other comprehensive income of the Company for the years ended December 31, 2013 and 2012, was as follows:

		2013	2012
Available-for-sale financial assets – non-current:			
Net change in fair value	$	367,225	(279,889)
Reclassified to profit or loss		(62,342)	(61,507)
Net change in fair value recognized in other comprehensive income	$	**304,883**	**(341,396)**

(Continued)

29. Financial instruments

(1) Categories of financial instruments

Financial assets

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets measured at fair value through profit or loss－current	$ -	-	43,922
Available-for-sale financial assets – non-current (including financial assets carried at cost－non-current)	1,795,273	1,484,923	1,637,763
Receivables:			
Cash and cash equivalents	343,226	459,154	2,405,201
Notes and trade receivable (including related parties)	1,078,717	470,277	1,629,485
Other financial assets－current and non-current	43,134	11,445	4,596
	1,465,077	940,876	4,039,282
	$ 3,260,350	**2,425,799**	**5,720,967**

Financial liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Short-term borrowings	$ 1,107,171	300,000	100,000
Notes and accounts payable (including related parties)	1,493,741	484,816	1,592,709
Long-term loans payable (including current portion of long-term loans payable)	4,539,450	4,878,477	3,091,122
	$ 7,140,362	**5,663,293**	**4,783,831**

(2) Credit risk

A. Credit risk exposure

As of December 31, 2013 and 2012, and January 1, 2012, the Company's maximum exposure to credit risk was mainly from the carrying amount of financial assets recognized in the balance sheet and amounted to $1,465,077 thousand, $940,876 thousand, and $4,083,204 thousand, respectively.

(Continued)

B. Disclosures of concentration of credit risk

The main customers of the Company belong to the silicon wafer and related industries. It is the Company's normal practice to provide customers with a credit limit according to their credit evaluations. Therefore, the credit risk of the Company is mainly influenced by the silicon wafer industry. As of December 31, 2013 and 2012, and January 1, 2012, 88%, 98% and 51%, respectively, of the Company's accounts receivable (including related parties) arose from the top 10 customers. Although there is a potential for concentration of credit risk, the Company routinely assesses the collectability of the accounts receivable and provides a corresponding allowance for doubtful accounts.

(3) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1-2 years	2-5 years
December 31, 2013						
Non-derivative financial liabilities						
Short-term borrowings	$ 1,107,171	(1,117,741)	(1,920)	(1,115,821)	-	-
Notes and trade receivable (including related parties)	1,493,741	(1,493,741)	(1,493,741)	-	-	-
Long-term loans payable (including current portion of long-term loans payable)	4,539,450	(4,844,316)	(84,078)	(84,822)	(1,564,826)	(3,110,590)
	$ 7,140,362	**(7,455,798)**	**(1,579,739)**	**(1,200,643)**	**(1,564,826)**	**(3,110,590)**
December 31, 2012						
Non-derivative financial liabilities						
Short-term borrowings	$ 300,000	(301,950)	(301,950)	-	-	-
Notes and trade receivable (including related parties)	484,816	(484,816)	(484,816)	-	-	-
Long-term loans payable (including current portion of long-term loans payable)	4,878,477	(5,029,796)	(302,475)	(3,436,193)	(858,710)	(432,419)
	$ 5,663,293	**(5,816,562)**	**(1,089,241)**	**(3,436,193)**	**(858,710)**	**(432,419)**
January 1, 2012						
Non-derivative financial liabilities						
Short-term borrowings	$ 100,000	(100,772)	(100,772)	-	-	-
Notes and trade receivable (including related parties)	1,592,709	(1,592,709)	(1,592,109)	-	-	-
Long-term loans payable (including current portion of long-term loans payable)	3,091,122	(3,160,955)	(700,693)	(1,319,474)	(969,745)	(171,043)
	$ 4,783,831	**(4,854,436)**	**(2,393,574)**	**(1,319,474)**	**(969,745)**	**(171,043)**

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(Continued)

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(4) Currency risk

A. Exposure to currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2013		
	Foreign currency	**Exchange rate**	**NTD**
Financial assets			
Monetary Items			
USD	36,490	29.805	1,087,584
JPY	1,009	0.2839	286
EUR	1,260	41.090	51,773
Financial liabilities			
Monetary Items			
USD	44,354	29.805	1,321,971
JPY	132,492	0.2839	37,614

	December 31, 2012		
	Foreign currency	**Exchange rate**	**NTD**
Financial assets			
Monetary Items			
USD	11,203	29.126	326,299
JPY	539,443	0.3391	182,925
EUR	84	38.480	3,232
Financial liabilities			
Monetary Items			
USD	8,494	29.126	247,396
JPY	395	0.3391	134

	January 1, 2012		
	Foreign currency	**Exchange rate**	**NTD**
Financial assets			
Monetary Items			
USD	12,930	30.275	391,456
JPY	222,941	0.3906	87,081
EUR	359	39.180	14,066
Financial liabilities			
Monetary Items			
USD	2,055	30.275	62,215
JPY	377,355	0.3906	147,395

(Continued)

B. Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings; and trade and other payables that are denominated in foreign currency.

A 5% of depreciation or appreciation of the NTD against the USD, the Yen, and the Euro at December 31, 2013 and 2012, would have decreased or increased the net loss before tax by $10,997 thousand and $13,246 thousand, respectively. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

(5) Interest rate analysis

Please refer to the note on liquidity risk management and the Company's interest rate exposure regarding its financial assets and liabilities.

The following sensitivity analysis is based on exposure to interest rate risk. For floating-interest-rate debt, the analysis assumes that the liability as of the reporting date is outstanding for a year.

If the interest rate had increased or decreased by 0.25%, the Company's net loss before tax would have increased or decreased by $13,258 thousand and $11,798 thousand for the years ended December 31, 2013 and 2012, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates.

(6) Fair value

A. The Company's non-derivative financial assets and liabilities with short maturities include notes and accounts receivable/payables (including related parties), other financial assets — current/noncurrent, short-term borrowings, accrued salary, and other current liabilities whose carrying amounts approximate their fair value due to their short maturities.

B. Except for the aforementioned financial instruments, the carrying amount and fair value of the financial instruments of the Company as of December 31, 2013 and 2012, and January 1, 2012, were as follows:

	December 31, 2013		**December 31, 2012**		**January 1, 2012**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets:						
Available-for-sale financial assets – non-current	$ 1,000,245	1,000,245	703,328	703,328	1,054,168	1,054,168

(Continued)

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	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:						
Current portion of long-term loans payable(including current portion of long-term loans payable)	4,539,450	4,539,450	4,878,477	4,878,477	3,091,123	3,091,123

C. Methods and assumptions used to estimate fair values of financial instruments:

(a) The fair value of available-for-sale financial assets is determined based on the active market quoted price if it is available.

(b) The fair value of long-term loans payable bearing a floating rate approximates the carrying value.

D. Fair value hierarchy

Fair value levels are defined as follows:

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

(b) Level 2: 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).

(c) Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Available-for-sale financial assets – non-current	$ 1,000,245	-	-	1,000,245
December 31, 2012				
Available-for-sale financial assets – non-current	$ 703,328	-	-	703,328
January 1, 2012				
Financial assets designated as at fair value through profit or loss—non-current	$ -	43,922	-	43,922
Available-for-sale financial assets – non-current	1,054,168	-	-	1,054,168
	$ 1,054,168	43,922	-	1,098,090

30. Financial risk management

(1) 1. Overview

The Company is exposed to the following risks due to usage of financial instruments:

A. Credit risk

B. Liquidity risk

C. Market risk

This note presents information about the Company's exposure to each of the above risks, and the Company's objectives, policies, and procedures to measure and manage the risks. For further information please refer to the relevant notes.

(2) Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. The board has established the Risk Management Committee, which is responsible for developing and monitoring company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(3) Credit risk

The Company's potential credit risk is derived primarily from cash and accounts receivable. The Company maintains its cash in various creditworthy financial institutions. Credit risk exposure to each financial institution is controlled by the Company. As a result, the Company believes that there is no concentration of credit risk for cash.

(Continued)

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Notes To Financial Statements

(4) Liquidity risk

The Company has sufficient capital and working capital to reduce the risk of being unable to fulfill contract obligations. As there is no active market for financial assets carried at cost, the Company is exposed to liquidity risk thereon.

(5) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are executed in accordance with the Company's handling procedures for conducting derivative transactions, and also monitored by Internal Audit.

A. Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the New Taiwan Dollar (NTD), but also including the Renminbi (PRC), US Dollar (USD), Japanese Yen (JPY), and Euro (EUR). The currencies used in these transactions are denominated in NTD, USD and JPY.

Interest is denominated in the currency used in the borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily NTD and USD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

B. Interest rate risk

The Company holds variable-rate financial assets and liabilities, which creates cash flow interest rate risk.

C. Equity price risk

Please refer to note 10 for equity price risk analysis.

(Continued)

31. Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, non-redeemable preference shares, retained earnings and non-controlling interests of the Group. The board of directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company's debt-to-equity ratios at the end of the reporting periods were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Total liabilities	$ 11,111,782	10,333,821	9,848,366
Less: Cash and cash equivalents	(343,226)	(459,154)	(2,405,021)
Net debt	**$ 10,768,556**	**9,874,667**	**7,443,345**
Total equity	**$ 18,297,624**	**18,211,063**	**18,933,891**
Debt-to-equity ratio	**58.85%**	**54.22%**	**39.31%**

The objective for treasury share buyback was to transfer shares to employees. As the Company did not specify a treasury buyback plan, the transaction was in accordance with the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies based on approval from the board of directors.

There were no changes in the Company's approach to capital management during the year.

32. Related-party transactions

(1) Relationship between related parties

Details of subsidiaries:

		Percentage of Ownership		
	Location	**December 31, 2013**	**December 31, 2012**	**January 1, 2012**
Sino Silicon Technology Inc.	British Virgin Islands	100%	100%	100%
GlobalWafers Co., Ltd.	Republic of China	98.6%	98.6%	100%
Sino Sapphire Co., Ltd.	Republic of China	-	95.12%	100%
Sunrise Global Solar Energy Corp. (SGSE)	Republic of China	50.95%	15.23%	15.26%
Global Semiconductor Inc.	Cayman Islands	100%	100%	100%
GlobalWafers Inc.	Cayman Islands	100%	100%	100%
GWafers	Japan	100%	100%	100%
Kunshan Sino Silicon Technology Co., Ltd.	Kunshan City, Jiangsu Province, China	100%	100%	100%
GlobiTech Incorporated	Texas	100%	100%	100%

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC.

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	Location	Percentage of Ownership December 31, 2013	December 31, 2012	January 1, 2012
GlobalWafers Japan Co., Ltd. (Note)	Japan	100%	100%	-

Note: Formerly known as Covalent Silicon Corporation. In 2012, it was changed to GlobalWafers Japan Co., Ltd.

(2) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(3) Compensation of executive officers

Executive officers' compensation comprised:

	2013	2012
Short-term employee benefits	$ 16,279	16,609
Post-employment benefits	540	648
Share-based payments	14,079	-
	$ 30,898	17,257

Please refer to note 22 for an explanation of share-based payment.

(4) Other related-party transactions

A. Sales

The significant transactions with related parties were as follows:

	2013	2012
Subsidiaries	$ 198,737	14,835
Associates	31,963	20,884
Key management of parent company	348,889	322,808
Other related parties	44,867	-
	$ 624,456	358,527

The sales price for sales to the above related parties was determined by market conditions and considering the geographic sales area and sales volumes.

The credit terms for third parties were month-end 0~120 days during 2013 and 2012, while those for related parties were between month-end 35 days and next month-end 60 days during 2013 and 2012.

(Continued)

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B. Purchases and processing cost

Purchases from and outsourcing to related parties were as follows:

	2013	2012
Subsidiaries	$ 75,312	6,292
Associates	7,090	361
Key management of parent company	-	3,486
Other related parties	6,840	-
	$ 89,242	**10,139**

The prices of inventory purchases and outsourcing were determined by market conditions.

The payment terms of third parties were month-end 0~120 days during 2013 and 2012, while the terms of related parties were from next month-end 15 days to month-end 60 days.

C. Receivables from related parties

The receivables from related parties were as follows:

Items	Category	December 31, 2013	December 31, 2012	January 1, 2012
Receivables from related parties	Subsidiaries	$ 93,063	65	-
Receivables from related parties	Key management of parent company	110,748	20	3,142
Receivables from related parties	Other related parties	-	-	30,715
		$ 203,811	**85**	**33,857**

Furthermore, in order to maintain a stable supply of material, subsidiaries, associates and other related parties have signed long-term supply contracts with the Company. As of December 31, 2013 and 2012, and January 1, 2012, revenue received in advance for sales to the aforementioned related parties was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	$ 307,053	-	-
Associates	-	310,291	310,360
Key management of parent company	1,109,038	1,143,077	1,177,531
	$ 1,416,091	**1,453,368**	**1,487,891**

(Continued)

D. Payables to related parties

The payables to related parties were as follows:

Items	Category		December 31, 2013	December 31, 2012	January 1, 2012
Payables to related parties	Subsidiaries	$	294,422	851	30,919
Payables to related parties	Other related parties		4,348	-	-
		$	298,770	851	30,919

E. Disposal of fixed assets and deferred credits

Over the years, the unrealized gain from selling fixed assets to Kunshan Sino Silicon Technology Co., Ltd. was recognized as “deferred credits gains on inter-affiliate accounts”. Amortization is calculated on a straight-line basis over the estimated useful lives of fixed assets of five years. For the years ended December 31, 2013 and 2012, the deferred gain on disposal of fixed assets arising from amortization was $19 thousand and $111 thousand, respectively. As of December 31, 2013 and 2012 and January 1, 2012, the deferred credits were $0, $19 thousand and $129 thousand, respectively.

F. Property transactions

The information related to machinery the Company sold to a related party at book value is as follows:

		2012	
		Proceeds	Receivable at year-end
Subsidiaries	$	35,558	200

G. Equity investment in Sinosolar Corp.

In August 2013, the Company obtained 72,799 thousand shares of Sinosolar Corp. at a price of $513,232 thousand from the Company’s key management personnel. For the details of the combination between the Company and Sinosolar Corp., refer to note 13.

(Continued)

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H. Management service income

The information on the management service income which was netted off with management expense is as follows:

	2013	2012
Subsidiaries	$ 87,139	119,363

As of December 31, 2013 and 2012, and January 1, 2012, the management service income had not been received and was recognized as receivables from related parties amounting to $10,654 thousand, $15,505 thousand, and $0, respectively.

I. Technical service income

The Company received technical service income from related parties, recorded under other gains or loss, as follows:

	2013	2012
Subsidiaries	$ 16,963	18,930

As of December 31, 2013 and 2012, and January 1, 2012, accrued technical service receivables were $3,562 thousand, $2,131 thousand, and $0, respectively.

J. Combined final business income tax return

Effective from 2012, the Company has adopted filing a combined final business income tax return with its subsidiaries. As of December 31, 2013 and 2012, and January 1, 2012, the related income tax receivable was $68,068 thousand, $52,810 thousand, and $0 thousand, respectively, which were accounted for as the Company's receivable from related parties.

K. Accrued spin-off payables

The difference between the assets and liabilities and the stockholders' equity as a result of spin-off of the semiconductor business and sapphire business was recognized as payables to related parties.

As of December 31, 2013 and 2012, and January 1, 2012, payables to related parties were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	$ -	88,511	1,082,647

(Continued)

L. Financing

The Company provided unsecured financing to subsidiaries for operating purposes. As of December 31, 2013 and 2012, and January 1, 2012, the outstanding balance was $0, $0, and $233,820 thousand, respectively, recognized under receivable from related parties.

Interest on the above financing was calculated based on the average short-term interest rate of a financial institution from which the Company had borrowed money. While such loans were unsecured, they did not require provisions for bad debt expenses. As of December 31, 2013 and 2012, and January 1, 2012, accrued interest was $0.

Unsecured borrowings were provided to the Company by subsidiaries for operating purposes. As of December 31, 2013 and 2012, and January 1, 2012, the outstanding balances were $98,357 thousand, $0, and $0, respectively, recognized under payables to related parties.

Interest on the above financing was calculated based on the average short-term interest rate of a financial institution from which related parties had borrowed money. While such loans were unsecured, they did not require provisions for bad debt expenses. As of December 31, 2013 and 2012, and January 1, 2012, the balance of accrued interest was $87 thousand, $0, and $0, respectively, recognized under payables to related parties.

M. Guarantees

The Company had provided guarantees to financial institutions for its related parties as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	$ 864,524	2,181,430	956,690

The related parties had provided guarantees to financial institutions for the Company as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	$ -	1,815,000	-

(Continued)

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N. Payment on behalf of others

The outstanding receivables from related parties and (payables) to related parties generated from material procurement, insurance, and utilities of related parties for the years ended December 31, 2013 and 2012, and January 1, 2012, were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	$ 74,978	189,059	236,480
Subsidiaries	(89,698)	(41)	-
Associates	9,992	-	-
Associates	(41)	-	-
Key management of parent company	(5)	-	-
Other related parties	-	(408)	25
	$ (4,774)	**188,610**	**236,505**

O. Other

(a) In 2013, the Company recognized $3,253 thousand as service revenue from indirect sales through subsidiaries' processing of goods which the Company purchased back as finished goods and sold to customers after subsidiaries had manufactured the goods. The aforementioned transactions were on the basis of cost-plus pricing. The related sales revenue and purchases were written off, and unrealized gains or loss were deferred in the financial statements instead of being regarded as the Company's transactions.

(b) Summary information on lease agreements between the Company and related parties

The Company leased the buildings in the Hsinchu Science Park from subsidiaries. Details of rental expenses and other payables－related parties incurred under the lease agreements are as follows:

	2013	2012
Subsidiaries	**$ 816**	**816**

The Company leased buildings from subsidiaries. As of December 31, 2013, and December 31 and January 1, 2012, the rental payable had been paid.

(Continued)

(c) Summary information on lease agreements between related parties and the Company

The Company leased buildings to related parties. Details of rental income and other receivables－related parties arising under the lease agreements are as follows:

	2013	2012
Subsidiaries	$ 2,400	7,020
Associates	7,836	-
	$ 10,236	7,020

Items	Category	December 31, 2013	December 31, 2012	January 1, 2012
Receivables from related parties	Subsidiaries	$ 420	824	385
Receivables from related parties	Associates	686	-	-
		$ 1,106	824	385

(d) As of December 31, 2011, the long-term receivable from SSTI was $766,183 thousand. Pursuant to the resolution of the board of directors' meeting in June 2012 and considering the objective of group restructuring, the Company decided to swap the long-term receivable from SSTI for equity investment in the amount of $766,183 thousand (approximately USD 25,295 thousand).

33. Pledged assets

(1) Assets pledged as collateral were as follows:

Pledged assets	Purpose of pledge	December 31, 2013	December 31, 2012	January 1, 2012
Buildings and improvements	Long-term loans payable	$ 1,700,449	1,931,673	1,904,971
Machinery and equipment	Long-term loans payable	839,352	2,445,412	1,067,102
Time deposits (recorded in other financial assets－non-current)	Guarantees for industrial innovative R&D program	35,739	6,860	-
Time deposits (recorded in other financial assets－non-current)	Guarantees for solar energy system demonstration	201	195	246
Time deposits (recorded in other financial assets－non-current)	Guarantees for industrial innovative R&D program	35,739	6,860	-
Time deposits (recorded in other financial assets－non-current)	Chunan land rent	5,938	-	-
		$ 2,617,418	4,391,000	2,972,319

(Continued)

(2) The buildings and machinery spun off to GlobalWafers and Sino Sapphire by the Company were used as collateral for the Company to secure long-term loans. As of December 31, 2013 and 2012, and January 1, 2012, book values of the buildings and machinery were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
GlobalWafers	$ -	36,822	47,949
Sino Sapphire	-	-	18,888
	$ -	36,822	66,837

34. Commitments and contingencies

(1) As of December 31, 2013 and 2012, and January 1, 2012, the materials for future delivery from suppliers under the current effective agreements were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
USD	341,209	459,055	558,178
EUR	36,354	47,357	62,122

Refer to Note 17 for the above-referenced long-term purchase agreements.

Other than the above-referenced long-term purchase agreements, the Company, Sinosolar Corp., and SGSE (the Purchasers) entered into a non-cancellable long-term purchase agreement with a polysilicon supplier. The total contract amount is USD933,950 thousand. According to the agreements, the Purchasers agree to make non-refundable payments to the supplier from May 2011 to January 2019. As of December 31, 2013, the Purchasers had already paid USD10,350 thousand. If the Purchasers breach the agreement, the supplier is entitled to terminate the agreement and demand compensation. SGSE evaluated the economic circumstances and concluded that if the parties did not adjust the agreement based on economic circumstances, fulfillment of the agreement will be impossible. Moreover, because the fair value of material has fluctuated greatly, SGSE has concluded that price risk may arise as the agreement price is higher than the market price. This may cause a loss, and SGSE has made provision for losses that may occur.

(2) The Company also entered into several non-cancellable long-term sales agreements with polysilicon purchasers. According to these agreements, from January 1, 2006, to December 31, 2019, the purchasers agree to make prepayments, and the Company is obligated to deliver the product on the schedule stipulated in the contracts. If the Company defaults on the delivery schedule, the Company has to offer sales discounts or compensation ranging from one and a half times to four times the undelivered products' applicable prepayments. However, the Company is required to refund the prepayments if the Company delays the delivery for three months. Additionally, due to the economic downturn, which caused a decline in demand, solar battery purchasers attempted to negotiate with the Company to reduce the wafer prices. The Company agreed to revise the agreements with pricing based on market conditions at that time. As of December 31, 2013 and 2012, and January 1, 2012, the amounts of future product delivery under current effective sales agreements were as follows:

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	December 31, 2013	December 31, 2012	January 1, 2012
USD	412,016	747,108	893,643
EUR	215,564	237,329	235,932
NTD	4,312,314	4,764,405	5,189,633

(3) As of December 31, 2013 and 2012, and January 1, 2012, the Company had issued promissory notes of $9,304,800 thousand, $5,100,000 thousand, and $6,175,000 thousand, respectively, as collateral for bank loans.

(4) As of December 31, 2013 and 2012, and January 1, 2012, the Company had paid a performance bond to the the Customs Administration of the Ministry of Finance and for research plan purposes in the amount of $23,000 thousand, $26,087 thousand, and $41,318 thousand, respectively.

35. Significant disaster: none.

36. Subsequent events

At January 21, 2014, the board of directors' meeting decided to change the useful life of some production machinery to reasonably reflect the efficiency of production machinery. For further information, please refer to the Market Observation Post System website.

37. Other information

The personnel expenses and depreciation by function were as follows:

	2013			2012		
Account	**Cost of goods sold**	**Operating expenses**	**Total**	**Cost of goods sold**	**Operating expenses**	**Total**
Personnel expenses:						
Salaries	388,801	137,257	526,058	329,392	174,093	503,485
Labor and health insurance	33,859	6,728	40,587	35,989	9,469	45,458
Pension	15,442	3,464	18,906	14,586	4,456	19,042
Others	21,786	2,575	24,361	19,720	3,023	22,743
Depreciation	1,013,412	30,345	1,043,757	1,163,663	36,295	1,199,958

38. Operating segment information

Please refer to the Sino-American Silicon Products Inc. and subsidiaries consolidated financial statements for operating segment information.

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39. First-time adoption of IFRSs

The Company's financial statements as of December 31, 2012, were prepared in accordance with accounting principles generally accepted in the Republic of China ("R.O.C GAAP"). As described in Note 4, the year ended December 31, 2013, is the first reporting period for which the Company has prepared parent-company-only financial statements in accordance with IFRSs.

The accounting policies set out in note 4 have been applied in preparing the financial statements for the comparative information for the year ended December 31, 2012, and in the preparation of an opening IFRS statement of financial position at January 1, 2012 (the Company's date of transition).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with R.O.C GAAP. An explanation of how the transition from R.O.C. GAAP to IFRSs has affected the Company's financial position, financial performance, and cash flows is set out in the following tables and the notes that accompany the tables.

(1) Reconciliation of Statement of Financial Position

	December 31, 2012			January 1, 2012		
	R.O.C. GAAP	Effect of transition to IFRSs	IFRSs	R.O.C. GAAP	Effect of transition to IFRSs	IFRSs
Assets						
Cash and cash equivalents	$ 459,154	-	459,154	2,405,021	-	2,405,021
Financial assets measured at fair value through profit or loss－current	-	-	-	43,922	-	43,922
Notes and trade receivable, net	209,663	-	209,663	358,735	-	358,735
Receivables from related parties, net	260,614	-	260,614	504,567	-	504,567
Inventories	339,722	-	339,722	635,537	-	635,537
Prepayments for materials	856,133	-	856,133	1,105,123	-	1,105,123
Other current assets	218,248	(13,598)	204,650	145,949	3,307	149,256
Other financial assets－current	2,442	-	2,442	2,402	-	2,402
Total current assets	2,345,976	(13,598)	2,332,378	5,201,256	3,307	5,204,563
Available-for-sale financial assets – non-current	703,328	-	703,328	1,054,168	-	1,054,168
Financial assets carried at cost－non-current	781,595	-	781,595	583,595	-	583,595
Equity-method investments	17,004,311	(264,707)	16,739,604	11,705,708	(27,251)	11,678,457
Property, plant and equipment, net	4,850,205	(2,400)	4,847,805	6,034,006	(13,368)	6,020,638
Long-term accounts receivable from related parties	-	-	-	766,183	-	766,183
Deferred income tax assets	136,338	15,998	152,336	84,519	44,571	129,090
Other financial assets－non-current	9,003	-	9,003	2,194	-	2,194
Long-term prepayments for materials	2,978,835	-	2,978,835	3,343,369	-	3,343,369
Other assets －non-current	34,923	(34,923)	-	3,878	(3,878)	-
Total non-current assets	26,498,538	(286,032)	26,212,506	23,577,620	74	23,577,694
Total assets	$ 28,844,514	(299,630)	28,544,884	28,778,876	3,381	28,782,257

(Continued)

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Notes To Financial Statements

	December 31, 2012			January 1, 2012		
	R.O.C. GAAP	Effect of transition to IFRSs	IFRSs	R.O.C. GAAP	Effect of transition to IFRSs	IFRSs
Liabilities and Equity						
Short-term borrowings	$ 300,000	-	300,000	100,000	-	100,000
Notes and accounts payable	395,005	-	395,005	479,143	-	479,143
Payables to related parties	89,811	-	89,811	1,113,566	-	1,113,566
Payroll and bonus payable	43,926	3,549	47,475	136,323	15,611	151,934
Current portion of received in advance for sales	2,126,359	-	2,126,359	1,132,407	-	1,132,407
Onerous contracts provision	266,616	-	266,616	-	-	-
Other current liabilities	140,689	-	140,689	133,414	-	133,414
Current portion of long-term loans payable	3,651,694	(8,217)	3,643,477	1,995,000	-	1,995,000
Total current liabilities	7,014,100	(4,668)	7,009,432	5,089,853	15,611	5,105,464
Long-term loans payable	1,261,706	(26,706)	1,235,000	1,100,000	(3,878)	1,096,122
Other liabilities	23,272	20,959	44,231	23,633	50,565	74,198
Revenue received in advance for sales – non-current	2,045,158	-	2,045,158	3,572,582	-	3,572,582
Total non-current liabilities	3,330,136	(5,747)	3,324,389	4,696,215	46,687	4,742,902
Total Liabilities	10,344,236	(10,415)	10,333,821	9,786,068	62,298	9,848,366
Equity attributable to stockholders of Solid State System Co., Ltd.:						
Common stock	5,231,191	-	5,231,191	4,431,191	-	4,431,191
Capital surplus	14,878,908	-	14,878,908	12,141,389	-	12,141,389
Retained earnings	213,967	(119,882)	94,085	3,025,038	102,349	3,127,387
Other stockholders' equity	(1,567,093)	(169,333)	(1,736,426)	(604,810)	(161,266)	(766,076)
Treasury stock	(256,695)	-	(256,695)	-	-	-
Total equity	18,500,278	(289,215)	18,211,063	18,992,808	(58,917)	18,933,891
Total liabilities and equity	$ 28,844,514	(299,630)	28,544,884	28,778,876	3,381	28,782,257

For the year ended December 31, 2012, part of long-term borrowings in the statement of financial position were reclassified to short-term borrowings for the purpose of comparison with the 2013 presentation. This reclassification does not have significant influence on the 2012 financial report.

(2) Reconciliation of Statements of Profit or Loss and Other Comprehensive Income

	2013		
	R.O.C. GAAP	Effect of transition to IFRSs	IFRSs
Operating revenues	$ 4,373,570	-	4,373,570
Cost of goods sold	(6,309,596)	-	(6,309,596)
Gross loss	(1,936,026)	-	(1,936,026)
Operating expenses:			
Selling and distribution expenses	(15,580)	367	(15,213)
General and administrative expenses	(81,367)	8,049	(73,318)
Research and development expenses	(188,386)	3,948	(184,438)
Total operating profit	(285,333)	12,364	(272,969)
Operating loss	(2,221,359)	12,364	(2,208,995)

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	2013		
	R.O.C. GAAP	**Effect of transition to IFRSs**	**IFRSs**
Non-operating income and gains:			
Other income	$ 17,435	-	17,435
Other gains and losses	(29,854)	-	(29,854)
Interest expense	(192,223)	-	(192,223)
Share of profit or loss of equity-accounted investees	(82,785)	(219,062)	(301,847)
	(287,427)	(219,062)	(506,489)
Loss before income tax	(2,508,786)	(206,698)	(2,715,484)
Income tax benefit	140,834	-	140,834
Net loss for the period	**$ (2,367,952)**	**(206,698)**	**(2,574,650)**
Other comprehensive income (loss):			
Foreign currency translation adjustments			$ (58,223)
Net change in fair value of available-for-sale financial assets			(341,396)
Actuarial loss on defined benefit obligations			(5,155)
Other comprehensive income from equity-accounted investees			(594,507)
Income tax effect on other comprehensive income			9,898
Other comprehensive income (loss) for the year, net of income tax			(989,383)
Total comprehensive income (loss) for the period			**$ (3,564,033)**
Earnings per share (NT$, note 23)			
Basic earnings per common share	**$ (4.90)**	**-**	**(5.33)**

(3) Material adjustments to Statement of Cash Flows

There are no material differences between the statement of cash flows presented under IFRSs and the statement of cash flows presented under R.O.C. GAAP.

(4) Notes to the reconciliations

A. The Company had recognized all actuarial gains and losses in other comprehensive income using the IFRSs endorsed by the FSC. Under previous GAAP, the Company recognized actuarial gains and losses in profit or loss over the employees' remaining service period. At the date of transition, all previously unrecognized cumulative actuarial gains and losses were recognized in retained earnings and reversed in the previous year's statement of comprehensive income.

(Continued)

The effects of changes are summarized as follows:

		2012
Statement of Profit or Loss and Other Comprehensive Income		
Selling and distribution expenses	$	9
General and administrative expenses		196
Research and development expenses		96
Share of profit or loss of equity-accounted investees		2,746
Actuarial loss on defined benefit obligations move to right		(5,155)
Total	**$**	**(2,108)**

		December 31, 2013	January 1, 2012
Statement of Financial Position			
Equity-method investments	$	(25,266)	(17,634)
Other liabilities		(20,959)	(16,055)
Unrecognized pension cost		-	(51)
Adjustment in retained earnings	**$**	**(46,225)**	**(33,740)**

B. Under former GAAP, there were no principles regarding accumulated compensated absences. After the adoption of IFRSs, if employees' vacation rights are a form of accumulated compensated absences, the expected cost of accumulated compensated absences should be recognized when the employees render service and thus increase future compensated absence rights, in accordance with IAS 19 *Employee Benefits*.

The effects of changes are summarized as follows:

		2012
Statements of Profit or Loss and Other Comprehensive Income		
Selling and distribution expenses	$	358
General and administrative expenses		7,853
Research and development expenses		3,852
Share of profit or loss of equity-accounted investees		(221,808)
Total	**$**	**(209,745)**

		December 31, 2013	January 1, 2012
Statement of Financial Position			
Equity-method investments	$	(239,441)	(9,617)
Paid annual leave		(3,549)	(15,611)
Foreign currency translation adjustments		8,016	-
Adjustment in retained earnings	**$**	**(234,974)**	**(25,228)**

(Continued)

C. In accordance with IFRS 1, the Company has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

The effects of changes are summarized as follows:

	December 31, 2013	January 1, 2012
Statement of financial position		
Foreign currency translation adjustments	$ 161,317	161,317
Adjustment in retained earnings	**$ 161,317**	**161,317**

D. Previous GAAP required deferred tax assets and deferred tax liabilities to be offset regardless of whether they were related to income taxes levied by the same taxation authority. According to the IFRSs endorsed by the FCS, deferred tax assets and deferred tax liabilities should only be offset under special circumstance. The above changes increased deferred tax assets as follows:

	December 31, 2013	January 1, 2012
Increase in deferred income tax assets / liabilities	**$ -**	**7,467**

When the Company calculated income tax under R.O.C. GAAP, a deferred tax asset or liability was classified as current or non-current in accordance with the classification of its related asset or liability; after the transition date, a deferred tax asset and liability is classified as a non-current asset or liability. As of December 31 and January 1, 2012, the amounts reclassified from deferred income tax assets to noncurrent assets were NT$15,998 thousand and NT$10,061 thousand, respectively.

E. Under IFRSs, there is no prepayment for equipment accounting category; therefore, the Company has reclassified prepayment for equipment to other assets.

The effects of changes are summarized as follows:

	December 31, 2013	January 1, 2012
Statement of Financial Position		
Other current assets	$ (2,400)	(13,368)
Property, plant and equipment, net	2,400	13,368
	$ -	**-**

F. The Company's finance cost consisted of financing-related interest cost and other related cost. Under R.O.C. GAAP, syndicated loan application expenses were classified as deferred charges. However, after transitioning to IFRSs, the Company has reclassified them to long-term loans payable－current and non-current.

(Continued)

SINO-AMERICAN SILICON PRODUCTS INC.

Notes To Financial Statements

The effects of changes are summarized as follows:

		December 31, 2013	January 1, 2012
Statement of Financial Position			
Other assets－non-current	$	(34,923)	(3,878)
Current portion of long-term loans payable		8,217	-
Long-term loans payable		26,706	3,878
	$	-	-

G. The above changes decreased (increased) retained earnings as follows:

		December 31, 2013	January 1, 2012
Recognized liabilities for defined benefit obligations	$	(46,225)	(33,740)
Paid annual leave		(234,974)	(25,228)
Foreign currency translation adjustments		161,317	161,317
Increase (decrease) in retained earnings	$	(119,882)	102,349