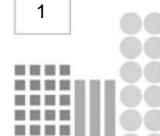


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# I. Letter to Shareholders

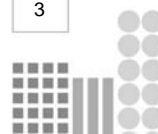
Dear Shareholders:

With global economic recovery remaining sluggish in 2013, the market did not perform as well as expected. In particular, economic restructuring in China has had a direct impact on the Company's performance. Over the past year, in order to respond to changes in economic conditions and the impact of competition from within the industry, the Company has continued to reorganize resources and focus on key strategies in the hope that we will be able to meet future challenges and opportunities without breaking stride.

## Annual Business Report

Last year the Company was fully committed to the optimization of asset performance. We successfully disposed of non-performing assets and reduced operating costs through enhanced working capital management. We also continued to promote industry strategic alliances, formed partnerships to expand marketing and sales channels, integrated existing production lines, and improved production capacity and efficiency. These plans have been implemented gradually but we are already seeing positive results and overall operating profit has improved accordingly. Net consolidated revenue for 2013 was approximately NT\$148.635 billion, with consolidated gross profit of NT\$4.6 billion. However, due to asset consolidation and the adoption of IFRS, a loss of NT\$3.5 billion was recognized, which impacted our overall performance in terms of profitability. The Company's after-tax loss was approximately NT\$2.689 billion, or NT\$0.77 per share.

Performance of core businesses and focus of operational management: in our copper business, financial, procurement and production costs were effectively reduced, and sales and profitability were stabilized, by gaining timely information on changes in raw material prices and capital costs, as well as realizing the strategic objective of production capacity maximization. Overall profitability of the wire and cable business was lower than expected due to the slowdown in economic growth in China, surplus production capacity resulting from competition, and reduced demand from Taiwan's public and private sectors. The specialty steel business remained the Company's principal source of profits. The Taichung Harbor plant began operations last year and the benefits from this gradually became apparent. The Yanshui plant continued to increase production output,



resulting in increased and steady profitability. Through a strategic partnership with Xingcheng, Yantai was able to enhance operational capacity and increase sales. The Changshu seamless steel tube plant adopted the twin strategies of improving capacity utilization and cost reduction. However, the plant still suffered losses due to fierce market competition last year.

With respect to the real estate business, pre-sales of residential buildings in the C2 land plot in Nanjing Walsin Centro were completed last year. Other land plots will be developed over several phases in coordination with the Company's capital planning. The occupancy rate at the Taipei Xinyi headquarters remained above 90%, even approaching full capacity. Both operations and profitability were stable. Regarding the solar business, future investments are expected to be gradually reduced due to the severe external competitive environment and an internal decision to focus on core strategy.

### Summary of the 2014 Business Plan

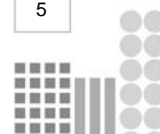
Looking toward 2014, the Company will continue to focus on its core products and market competencies, as well as enhance manufacturing capability and improve operational efficiency, while strengthening alliances with strategic partners, promoting marketing development and consolidating long-term competitiveness and market share. In doing so we are confident of our ability to achieve production capacity, operating revenue and profitability targets.

- As for our wire and cable business, this year the Company will take a relatively aggressive approach and will be developing new products and expanding into new markets in order to drive wire and cable business growth.
- In the specialty steel business, the Company will expand production capacity and improve profitability by adding newly developed products and increasing the added value of our existing product profile. In addition, we will draw on our presence in China and integrate with upstream and downstream strategic partners, as well as increase production capacity of the Taichung Harbor hot rolled pickling plant.
- In real estate, D plot's residential units and some of the commercial buildings in Nanjing Walsin Centro will be launched in 2014.

Walsin Lihwa will continue to adhere to its pragmatic operating principles and focus on core businesses. We will ensure that the Company enjoys steady and sustainable revenue growth through an effective management team and proven management practices, so that we can support the Company's long-term development. We will endeavor to do our best to repay shareholders for their trust and support.

Chairman

鍾佐倫



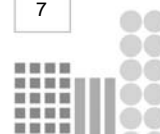
## II. Company Profile

1. Founded: December 2, 1966

### 2. Company History

- 1966 Walsin Wire & Cable Co., Ltd. established.
- 1969 Walsin Lihwa Wire & Cable Co., Ltd. formed by the merger of the Walsin and Lihwa companies.
- 1970 Formed technological partnerships with Western Electric in the U.S. and Fujikura in Japan and began production of plastic insulation telephone cable.
- 1971 Formed technological partnership with Sumitomo in Japan and began production of shipboard power cables.
- 1972 Began production of EP rubber high-voltage cable.  
Company's shares listed on the Taiwan Stock Exchange.
- 1977 Completed the Yangmei plant for SCR copper rod production, with annual manufacturing capacity of 50,000 metric tons of oxygen-free copper rods.
- 1982 Expanded SCR production facilities to increase annual manufacturing capacity to 100,000 metric tons of oxygen-free copper rods.
- 1987 Construction of the Yangmei plant completed.  
Entered the semiconductor IC industry by investing in Winbond Electronics Corp. and Sumi-Pac Corp.
- 1990 Formed Concord Venture Capital Co.
- 1991 Invested in PT. Walsin Lippo Industries in Indonesia to expand aluminum wire business into the Southeast Asian market.  
Implemented a corporate structure based on business divisions.
- 1992 Company renamed Walsin Lihwa Corporation.  
Electronics division merged with the acquired Wanbang Electronics to form the new Walsin Technology Corp.  
Established plants in Shanghai and Jiangyin to produce power cables and steel cables, thus beginning a new chapter in China investment.
- 1993 Expanded into the stainless steel industry by forming Walsin Cartech Specialty Steel, a joint venture with Carpenter Technology Corp. in the U.S.  
Established the Wuhan wire and cable plant for optical communication cable production.
- 1995 Formed Walsin (China) Investment Co., Ltd. and set up four operating locations in China's major cities, including Hangzhou, Shanghai and Nanjing, for the production of power cables, bare copper wires and fiber optic cables.
- 1997 Established specialty steel plants in Changshu and in Baihe, Shanghai, for the production and sale of seamless steel tubes and straight steel bars.  
Formed HannStar Board Corp. to expand into the PCB industry.
- 1998 Acquired and incorporated the assets of Walsin Cartech into the company.  
Conducted enterprise reengineering and full implementation of the SAP enterprise resource management system.  
Expanded into the TFT-LCD industry by forming HannStar Display Corp.
- 1999 Adopted the SAP enterprise resource management system.
- 2000 Established the Dongguan plant for bare copper wire production.
- 2001 Completed SAP implementation in ten locations in China, integrating standard operating procedures on information and administration across the Taiwan Strait.
- 2002 Designated Wire & Cable BG and Specialty Steel BG as core businesses; created the position of business group president.

- Expansion of Yanshui specialty steel plant was carried out to include slab steelmaking facilities.
- 2003 With Yanshui specialty steel plant beginning slab production, the company expanded into the stainless steel plate market.
- 2004 Yanshui plant's production capacity increased from 180,000 to 240,000 metric tons, with additional production and sale of slab and hot rolled steel coils.  
Hangzhou power cable plant expanded manufacturing facilities to increase production capacity of high voltage cable to 1,000 kilometers.  
Changshu specialty steel plant expanded manufacturing facilities to increase seamless stainless steel pipe production capacity from 500 to 1,000 metric tons per month.
- 2005 Set up new plants in Nanjing, Changshu and Jiangyin to produce copper products as well as seamless steel pipes and steel wire products.  
Shanghai and Hangzhou power cable plants completed expansion and increased production capacity; began mass production of 220kV EHV cable.  
Yanshui specialty steel plant completed expansion of the third track for special steel billet continuous casting, thus increasing stainless steel billet production capacity to 350,000 metric tons.
- 2006 New copper production plant in Nanjing completed, with annual production capacity of 250,000 metric tons. Total copper production increased from 400,000 to 650,000 metric tons.  
Acquired 100% stake in Changzhou Wujin NSL Co., Ltd., thus expanding the company's steel production capacity.  
Jiangyin steel cable plant completed expansion and increased annual production capacity from 70,000 to 140,000 metric tons.  
Changshu specialty steel plant's seamless stainless steel pipe production capacity increased from 1,000 to 1,300 metric tons per month.  
Quality assurance building at Hangzhou power plant became operational and began development of 500kV EHV cables; received certification.  
Company's consolidated revenue exceeded NT\$100 billion.
- 2007 Expanded steel production capacity by acquiring stake in Yantai Huanghai Iron and Steel Co., Ltd.  
Acquired stake in Jiangyin Yuantai Stainless Steel Products Co., Ltd. and added stainless steel wire to the company's product profile.  
Changshu specialty steel plant passed review by the National Nuclear Safety Administration and received certification for nuclear power plant sales.  
Hangzhou power cable plant began expansion efforts and construction of the second VCV process tower and added high voltage cable production lines.
- 2008 Set up specialty steel plants in Jiangyin and Xi'an to produce spheroidizing alloy steel and stainless steel medium-thickness specialty steel plates.  
Expansion of Yantai plant for stainless steel manufacturing process; added new stainless steel billet products.
- 2009 Yantai stainless steel plant completed transformation of manufacturing processes; in addition to existing carbon steel slabs, capacity for producing stainless steel and high-grade alloy steel was added.  
Xi'an plant for producing medium-thickness plates was completed; began production and sale of medium-thickness stainless steel plates.  
Changshu plant's seamless steel tube production began Phase 2 expansion to increase production capacity.  
Completion of the new A6 building in Xinyi Development Zone and the relocation of Walsin Lihwa headquarters.
- 2010 Acquired 100% stake in Xi'an Lv Jing Technology and 19% stake in Shanxi Tianhong Silicon Industrial Corp. to expand into polysilicon production (raw materials for solar energy).  
Invested in the German solar energy company Solarion AG and acquired patented advanced thin-film solar technology and production capacity.  
Construction of Taichung Harbor stainless steel roll plant officially began in December.



Nanjing Walsin Centro began construction in Nanjing's Hexi Newtown. A multi-purpose commercial center spanning one million square meters will be developed over several phases.

Partnered with Nanjing municipal government to create the Nanjing Taiwan Trade Mart, thus establishing a cross-Strait commercial trading platform.

- 2011 Construction of a factory for Xi'an Walsin United Technology Co., Ltd. completed and production of high brightness, high power LED wafer and chipset began; signed a new strategic cooperation agreement with the Xi'an High-tech Zone and expanded into LED lighting market R&D and applications.

The company's power cable business began active product development and certification for cable products oriented toward ships, yachts and the solar energy industry; production of cable for solar energy and railroads began.

Two office buildings in land plot of the Nanjing Walsin Centro sold.

- 2012 Construction of Taichung Harbor stainless steel roll plant completed. Production expected to commence in the first quarter of 2013.

Construction of two office buildings in CI land plot of Nanjing Walsin Centro completed and transferred to the Jiangsu Branch of the China Development Bank and the Nanjing Branch of China Guangfa Bank.

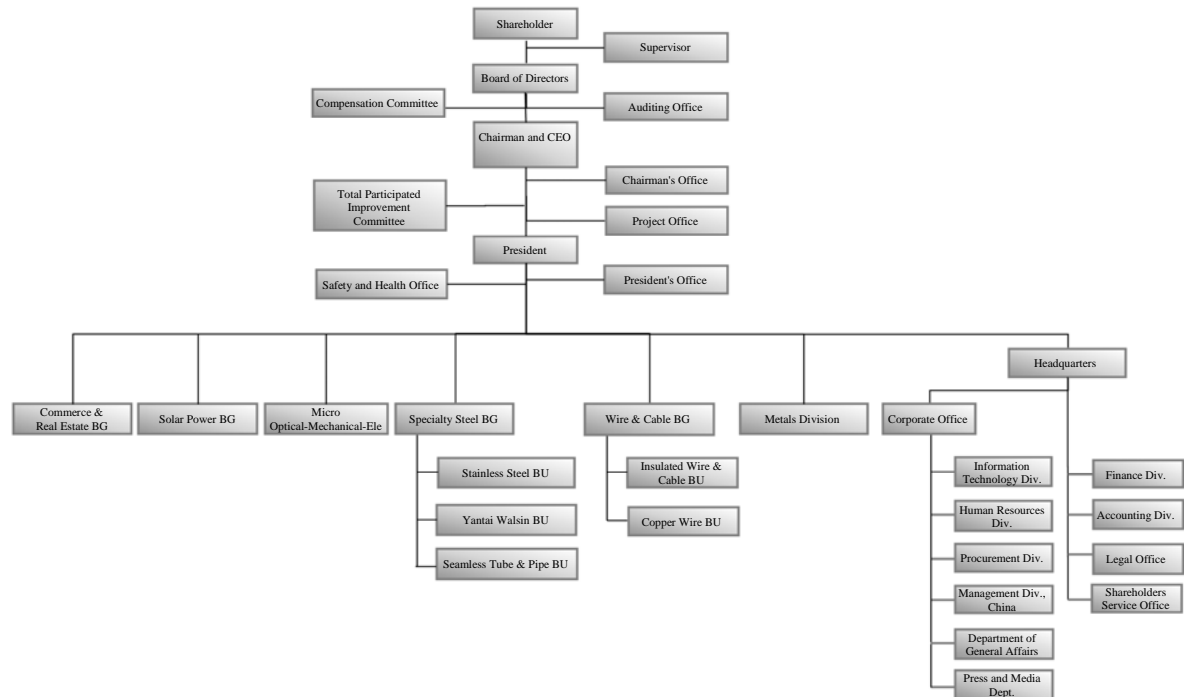
- 2013 Cold rolled steel coil production officially commenced at the Taichung Harbor stainless steel roll plant.  
Pre-sales of residential buildings in C2 land plot in Nanjing Walsin Centro completed; phased development of D and AB land plots planned.



# III. Corporate Governance Report

## 1. Organizational Structure

(1) Organization Chart (April 12, 2014)



(2) Principal Duties of Various Departments

| Department                               | Duties, Functions  |
|--|--|
| Auditing Office                          | Planning internal audit system, audit operations, and review of company regulations  |
| Compensation Committee                   | Drafting and periodically reviewing the performance evaluation of board directors, supervisors, and managers, as well as the policy, system, standard, and structure of compensation. Periodically evaluating and determining the compensation for board directors, supervisors, and managers. |
| Total Participated Improvement Committee | Promoting company-wide events, utilizing internal and external resources to help various operations to develop various improvement activities, periodically reviewing implementation results and progress and providing assistance and consultation in a timely fashion.                       |
| Project Office                           | Promoting and implementing various projects  |
| Safety and Health Office                 | Managing labor safety-related affairs  |
| Specialty Steel BG                       | Manufacture, sale, improvement of production technology, and engineering management of stainless steel, straight steel bars, seamless stainless steel pipes, alloy, etc. and improving product quality, lower costs, and improving manufacturing systems.                                      |
| Wire & Cable BG                          | Manufacture, sale, improvement of production technology, and engineering management of copper wires, electric cables, telecoms cables, optic fiber cables, electric wires, steel cables, etc. and improving product quality, lower costs, and improving manufacturing systems.                 |
| Micro Optical-Mechanical-Electronic BG   | Manufacture of micro electro mechanical systems, LED epitaxial wafers and wafers, etc.   |
| Solar Power BG                           | Solar power system engineering integrated services, system design, procurement, and installation   |
| Commerce & Real Estate BG                | Developing composite commercial properties, real estate management, etc.   |
| Metals Division                          | Responsible for the procurement transactions of raw materials, management and control of raw material price risks and other related matters  |
| Finance Div.                             | Responsible for capital allocation and utilization, financial planning, investment management, risk management and other related matters   |
| Accounting Div.                          | Accounting, asset management, credit management, operating analysis, etc.  |
| Information Technology Div.              | Information security, development and promotion of core systems, providing the Company and its business units with information and information integrated services   |
| Human Resources Div.                     | Organization planning, drafting of human resources policies and employment and performance reviews, performance management, personnel administration, remuneration and benefits, learning and development, employee relations, establishment of a human resources system, etc.                 |
| Procurement Div.                         | Procurement management and planning, raising procurement capabilities, promotion of procurement operations, etc.   |
| Management Div., China                   | Providing overseas operations with financial, accounting, information, and tax-related management and services in accordance with Headquarters' policies   |
| Legal Office                             | Responsible for avoiding and reducing legal risks faced by the company in order to protect tangible and intangible assets  |
| Shareholders Service Office              | Managing the Company's share-related affairs   |
| Department of General Affairs            | Handling general affairs, managing vehicles, and other various administrative affairs, etc.  |
| Press and Media Dept.                    | Maintaining the Company's corporate image, communicating with the media, internal communication, etc.  |

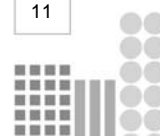
## 2. Profiles of Board Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Department Heads

### (1) Directors and supervisors

| Position      | Name             | Date appointed | Term    | Date first elected | Shares held when elected |                      | Shares currently held |                      | Shares held by spouse and minor children |                      | Shares held in the name of others |                      |
|---------------|------------------|----------------|---------|--------------------|--------------------------|----------------------|-----------------------|----------------------|--|----------------------|-----------------------------------|----------------------|
|               |                  |                |         |                    | Number of shares         | Percentage of shares | Number of shares      | Percentage of shares | Number of shares                         | Percentage of shares | Number of shares                  | Percentage of shares |
| Chairman      | Chiao, Yu-Lon    | 100.06.17      | 3 years | 70.04.10           | 46,611,773               | 1.29%                | 45,961,773            | 1.29%                | 19,638,314                               | 0.55%                | 0                                 | 0.00%                |
| Vice Chairman | Chiao, Yu-Cheng  | 100.06.17      | 3 years | 70.04.10           | 40,728,661               | 1.13%                | 39,508,661            | 1.10%                | 20,326,866                               | 0.57%                | 0                                 | 0.00%                |
| Director      | Chiao, Yu-Heng   | 100.06.17      | 3 years | 79.04.18           | 59,617,197               | 1.65%                | 58,957,197            | 1.65%                | 15,924,266                               | 0.45%                | 0                                 | 0.00%                |
| Director      | Chiao, Yu-Hwei   | 100.06.17      | 3 years | 94.05.31           | 72,529,006               | 2.01%                | 52,529,006            | 1.47%                | 0  | 0.00%                | 0                                 | 0.00%                |
| Director      | Zheng, Hui-Ming  | 100.06.17      | 3 years | 91.06.10           | 400,000                  | 0.01%                | 600,000               | 0.02%                | 0  | 0.00%                | 0                                 | 0.00%                |
| Director      | Yang, Jih-Chang  | 100.06.17      | 3 years | 97.06.13           | 0                        | 0.00%                | 0                     | 0.00%                | 0  | 0.00%                | 0                                 | 0.00%                |
| Director      | Tai, Yi-Yi       | 100.06.17      | 3 years | 98.06.19           | 0                        | 0.00%                | 0                     | 0.00%                | 0  | 0.00%                | 0                                 | 0.00%                |
| Director      | Chang, Wen-Chung | 100.06.17      | 3 years | 91.06.10           | 514,786                  | 0.01%                | 514,786               | 0.01%                | 233                                      | 0.00%                | 0                                 | 0.00%                |

December 31, 2013

| Education/work experience  | Other current positions within the Company   | Other officer, director or supervisor who is the spouse or a relative within second degree |  |  |
|--|--|--|--|--|
|  |  | Position   | Name   | Relationship   |
| Graduated from University of Washington Business Administration.   | The Company's CEO; Chairman of Concord Financial Co., Ltd., Touch Micro-system Technology Corp., Walsin-IEI, Walsin Solar Tech Co., Ltd.; Vice Chairman of Jiangsu Taiwan Development Co., Ltd.; Director of Walton Advanced Engineering Inc., Jincheng Construction Co., Ltd., Walsin Holdings Co., Ltd., Walsin Specialty Steel Holdings Co., Ltd., Walsin Specialty Steel Co., Ltd., Walsin (Nanjing) Property Development Co., Ltd., Global Investment Holdings, Nanjing Walsin World Expo Exhibition Co., Ltd.; Vice President Commissioner of Walsin Libao Industrial.   | Vice Chairman<br>Director<br>Director  | Chiao, Yu-Cheng<br>Chiao Yu-Heng<br>Chiao, Yu-Hwei | Older brother<br>Younger brother<br>Younger sister   |
| M.A. in Electrical Engineering, University of Washington; studied at the management college; former Company Chairman.  | Chairman of Winbond, Jinxin Investment, Capella Microsystems Inc., Nuvoton Technology Corp.; Director of Walsin Technology Corporation, Jincheng Construction Co., Ltd., Walsin Lihwa Holdings Limited, Walsin Specialty Steel Holding Co., Ltd, United Industrial Gases Co., Ltd., Baystar Holdings Ltd., Marketplace Management Limited, Newfound Asian Corporation, Peaceful River Corporation, Pigeon Creek Holding Co.,Ltd., Winbond Electronics Corporation America, Winbond Int'l Corporation, Landmark Group Holdings Ltd., Nuvoton Investment Holding Ltd.; Supervisor of MiTAC International Corporation; CEO of Winbond; Manager of Goldbond LLC; Remuneration Committee Convener of Taiwan Cement; Member of Compensation Committee, Synnex Technology International Corp. | Chairman<br>Director<br>Director   | Chiao, Yu-Lon<br>Chiao Yu-Heng<br>Chiao, Yu-Hwei   | Younger brother<br>Younger brother<br>Younger sister |
| Golden Gate University, Master of Business Administration; former Company Vice GM and Vice Chairman.   | Chairman of Walsin Technology Corporation, Walton Advanced Engineering, Inc., HannStar Board Corporation, Global Brands Manufacture Limited, Prosperity Dielectrics Co., Ltd., HannStar Color Co. Ltd., Sun Success Industry Ltd., HannStar Board Corporation (Jiangyi), HannStar Board Corporation (Chongqing), Anxin Co., Ltd.; Director of Info-Tek Corporation, Yu Yue Corporation; CEO of Kamaya Electric Co., Ltd.   | Chairman<br>Vice Chairman<br>Director  | Chiao, Yu-Lon<br>Chiao, Yu-Cheng<br>Chiao, Yu-Hwei | Older brother<br>Older brother<br>Older sister       |
| MBA of College of Notre Dame; former Company clerk, secretary, Vice Manager of Finance Dept., Special Assistant to GM, Assistant Vice President of Investment Dept., Assistant Vice President of Financial Dept., Head of Financial Investment Dept., Assistant Vice President of Metals Management Center and Financial Investment Management Center. | GM of Wire & Cable BG; Chairman of Dong Guan Walsin Wire & Cable Ltd., Nan Jing Walsin Metal Co., Ltd., Hang zhou Walsin Power Cable & Wire Co., Ltd., Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd., Dong Guan HannStar Electronics Co., Ltd., Jin Cherng Business Management and Consulting Corp.; Director of Walsin Specialty Steel Co., Ltd., Renowned International Co., Ltd., Vila Vila Corp., Jiang ying Walsin Steel Cable Co., Ltd.; GM of Jin Cherng Business Management and Consulting Corp., Goldin Investment Co.   | Chairman<br>Vice Chairman<br>Director  | Chiao, Yu-Lon<br>Chiao, Yu-Cheng<br>Chiao Yu-Heng  | Older brother<br>Older brother<br>Younger brother    |
| Master in Business Administration, Kelley School of Business at Indiana University and Master of Science in Chemical Engineering, University of California, Los Angeles; former CFO at HTC Corporation.  | The Company's President, member of Compensation Committee; Supervisor of Winbond Electronics Corporation; Director of Acme Electronics Corporation.  | None   | None   | None   |
| Ph.D. in Mechanical Engineering, Washington University, USA; Deputy Director, Industrial Technology Research Institute (ITRI); Director, Energy and Resources Laboratories; Executive President, Applied Science and Technology Research Institute (Hong Kong)   | Special Expert, ITRI   | None   | None   | None   |
| Graduated from Accounting Dept. of National Cheng Kung University.   | Chairman, Powertek Energy Co.; Director of Hesens Co., Ltd.  | None   | None   | None   |
| National Sun Yat-Sen University, Master's degree; former President of Yieh Mau Corporation, Lian Gang Heavy Industry Co., Ltd., Yieh United Steel Corp.  | President, Specialty Steel BG; Director, Walsin Precision Co., Ltd., Yantai Huanghai Iron and Steel Co., Ltd, Yantai Dazhong Recycling Resource Co., Ltd., Xi'an Walsin Metal Product Co., Ltd., Changshu Walsin Specialty Steel Co., Ltd., Shanghai Baihe Walsin Lihwa Specialty Steel Products Co., Ltd., Jiangyin Walsin Specialty Alloy Materials Co., Ltd.; Walsin Specialty Steel Corp., Wuxi Xingcheng Walsin Steel Products Co., Ltd.  | None   | None   | None   |



| Position   | Name   | Date appointed | Term    | Date first elected        | Shares held when elected |                      | Shares currently held |                      | Shares held by spouse and minor children |                      | Shares held in the name of others |                      |
|------------|--|----------------|---------|---------------------------|--------------------------|----------------------|-----------------------|----------------------|--|----------------------|-----------------------------------|----------------------|
|            |  |                |         |                           | Number of shares         | Percentage of shares | Number of shares      | Percentage of shares | Number of shares                         | Percentage of shares | Number of shares                  | Percentage of shares |
| Director   | Chin-Xin Investment Co., Ltd<br>Representative: Hong, Wu-Shung | 100.06.17      | 3 years | Juristic person: 94.05.31 | 16,500,050               | 0.46%                | 102,187,289           | 2.86%                | -  | -                    | -                                 | -                    |
|            |  |                |         | Representative: 61.06.24  | 930,316                  | 0.03%                | 877,316               | 0.02%                | 775                                      | 0.00%                | 0                                 | 0.00%                |
| Director   | Tien Mu Investment Co. Ltd<br>Representative: Lin, Wang-Tsai   | 100.06.17      | 3 years | Juristic person: 88.05.25 | 2,281,512                | 0.06%                | 2,281,512             | 0.06%                | -  | -                    | -                                 | -                    |
|            |  |                |         | Representative: 97.12.31  | 69,200                   | 0.00%                | 69,200                | 0.00%                | 0  | 0.00%                | 0                                 | 0.00%                |
| Supervisor | Chu, Wen-Yuan  | 100.06.17      | 3 years | 94.05.31                  | 3,624,218                | 0.10%                | 3,694,218             | 0.10%                | 0  | 0.00%                | 0                                 | 0.00%                |
| Supervisor | Walsin Technology Corporation<br>Representative: Chu, Yeu-Yuh  | 100.06.17      | 3 years | Juristic person: 98.06.19 | 7,170,000                | 0.20%                | 7,170,000             | 0.20%                | -  | -                    | -                                 | -                    |
|            |  |                |         | Representative: 94.05.31  | 55,065                   | 0.00%                | 55,065                | 0.00%                | 692                                      | 0.00%                | 0                                 | 0.00%                |

Note: Director Chiao, Yu-Chi resigned on February 25, 2013.

1. Major shareholders of institutional shareholder

December 31, 2013

| Name of institutional shareholder | Major shareholders of institutional shareholder (Note)                                   | Shareholding |
|-----------------------------------|--|--------------|
| Tien Mu Investment Co. Ltd        | Media Speed Industries Limited   | 100%         |
| Chin-Xin Investment Co., Ltd      | Winbond Electronics Corporation  | 37.69%       |
|                                   | Walsin Lihwa Corporation   | 37.00%       |
|                                   | Oriental Consortium Investment   | 4.43%        |
|                                   | Chiao, Yu-Cheng  | 3.14%        |
|                                   | Chiao, Yu-Lon  | 3.14%        |
|                                   | Chiao, Yu-Heng   | 3.14%        |
|                                   | Chiao, Yu-Chi  | 3.14%        |
|                                   | Yau Cheung Investment Limited  | 2.81%        |
|                                   | Walsin Technology Corporation  | 1.86%        |
|                                   | HannStar Board Corporation   | 1.34%        |
| Walsin Technology Corporation     | Walsin Lihwa Corporation   | 18.11%       |
|                                   | Walton Advanced Engineering, Inc.  | 2.72%        |
|                                   | HannStar Board Corporation   | 2.62%        |
|                                   | Winbond Electronics Corporation  | 1.86%        |
|                                   | Chiao, Yu-Heng   | 1.49%        |
|                                   | Dimensional Emerging Market Evaluation Fund under the custodianship of Citibank (Taiwan) | 1.40%        |
|                                   | Zhi Jia Investment Limited   | 1.36%        |
|                                   | HannStar Color Co. Ltd.  | 1.22%        |
|                                   | HSBC Bank Investment Account (Switzerland) under the trust of HSBC Private Bank          | 1.10%        |
|                                   | Ye, Chun-Cai   | 0.71%        |

Note: Names of principal institutional shareholders or shareholders who retain the top ten percentages of shares.

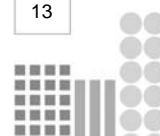
December 31, 2013

|  | Education/work experience  | Other current positions within the Company  | Other officer, director or supervisor who is the spouse or a relative within second degree |      |              |
|--|--|---|--|------|--------------|
|  |  |   | Position   | Name | Relationship |
|  | Graduated from the Department of Architecture of Feng Chia University  | Chairman and President of Jincheng Construction Co., Ltd.; Director of Walsin (Nanjing) Construction Limited  | None   | None | None         |
|  | Consultant at the Chairman's Office.(Incumbent)  | Consultant at the Chairman's Office; Chairman of Min Maw Precision Industry Corp.; Vice Chairman of Walsin Info-Electric Corp., Ltd.; Director of Jin Xin Investment Co., Ltd., Jin Cherng Business Management and Consulting Corp., Powertek Energy Co.; Supervisor of Winbond Electronics Corporation, Walsin Technology Corporation, Jincheng Construction Co., Ltd. | None   | None | None         |
|  | (MBA. Finance Director, former Citi Insurance (Singapore), President, Composers and Authors Society of Singapore, President, Walsin Lihwa Corporation, Hong Kong, General Manager, Integral Chemical Co (Shanghai), General Manager, Xcellink Pte. Ltd. (Singapore), Independent Director, Global Brands Manufacture Limited | Assistant Vice President of Walsin Technology Corporation; Supervisor of HannStar Board Corporation;  | None   | None | None         |
|  | Graduated from International Trade Dept., Feng Chia University ; former Manager of Overseas Sales Department, Manager of Domestic Sales Department; Assistant Manager, Vice President, President of Walsin Technology Corporation.   | Director and President of Walsin Technology Corporation, HannStar Board Corporation, Winbond Electronics Corporation, Global Brands Manufacture Limited.  | None   | None | None         |

## 2. Major shareholders in the above table who are institutional investors and their major shareholders

December 31, 2013

| Name of Institution             | Major institutional shareholders (Note)   | Shareholding |
|---------------------------------|---|--------------|
| Media Speed Industries Limited  | —   | —            |
| Winbond Electronics Corporation | Walsin Lihwa Corporation  | 23.23%       |
|                                 | Chiao, Yu-Cheng   | 1.54%        |
|                                 | Dimensional Emerging Market Evaluation Fund under the custodianship of Citibank (Taiwan)              | 1.16%        |
|                                 | Chin-Xin Investment Co., Ltd  | 1.04%        |
|                                 | Morgan Stanley International Investment Account under the trust of HSBC                               | 0.97%        |
|                                 | Hong, Pai-Yung  | 0.87%        |
|                                 | ABP Pension Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch               | 0.83%        |
|                                 | Benefit Trend International Account under the trust of Deutsche Bank                                  | 0.83%        |
|                                 | Chiao, Yu-Lon   | 0.80%        |
|                                 | Chiao, Yu-Heng  | 0.79%        |
| Walsin Lihwa Corporation        | Deutsche Bank   | 4.49%        |
|                                 | Chin-Xin Investment Co., Ltd  | 2.86%        |
|                                 | Saudi Arabia Central Bank Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch | 2.55%        |
|                                 | Vanguard Emerging Markets Stock Index Fund under the custodianship of Standard Chartered              | 1.88%        |
|                                 | Chiao, Yu-Chi   | 1.65%        |
|                                 | Chiao, Yu-Heng  | 1.65%        |
|                                 | Dimensional Emerging Market Evaluation Fund under the custodianship of Citibank (Taiwan)              | 1.56%        |
|                                 | Chiao, Yu-Hwei  | 1.47%        |
|                                 | Hong, Pai-Yung  | 1.36%        |
|                                 | Walsin Lihwa Employee Welfare Committee   | 1.34%        |
| Oriental Consortium Investment  | HannStar Display Corporation  | 100%         |
| Yau Cheung Investment Limited   | —   | —            |



| Name of Institution               | Major institutional shareholders (Note)  | Shareholding |
|-----------------------------------|--|--------------|
| Walsin Technology Corporation     | Walsin Lihwa Corporation   | 18.11%       |
|                                   | Walton Advanced Engineering, Inc.  | 2.72%        |
|                                   | HannStar Board Corporation   | 2.62%        |
|                                   | Winbond Electronics Corporation  | 1.86%        |
|                                   | Chiao, Yu-Heng   | 1.49%        |
|                                   | Dimensional Emerging Market Evaluation Fund under the custodianship of Citibank (Taiwan) | 1.40%        |
|                                   | Zhi Jia Investment Limited   | 1.36%        |
|                                   | HannStar Color Co. Ltd.  | 1.22%        |
|                                   | HSBC Bank Investment Account (Switzerland) under the trust of HSBC Private Bank          | 1.10%        |
|                                   | Ye, Chun-Cai   | 0.71%        |
| HannStar Board Corporation        | Walsin Technology Corporation  | 19.97%       |
|                                   | Walsin Lihwa Corporation   | 16.70%       |
|                                   | Chin-Xin Investment Co., Ltd   | 7.75%        |
|                                   | HannStar Board Corporation   | 1.63%        |
|                                   | HSBC under the trust of BNP Paribas Wealth Management Bank Singapore Branch              | 1.59%        |
|                                   | Hong, Pai-Yung   | 1.54%        |
|                                   | Dimension Emerging Market Evaluation Fund under the trust of Citibank (Taiwan)           | 1.10%        |
|                                   | HannStar Color Co. Ltd.  | 1.05%        |
|                                   | Deutsche Bank  | 0.95%        |
|                                   | Chiao, Yu-Heng   | 0.89%        |
| Walton Advanced Engineering, Inc. | Walsin Lihwa Corporation   | 21.81%       |
|                                   | Winbond Electronics Corporation  | 9.96%        |
|                                   | Toshiba  | 9.81%        |
|                                   | Walsin Technology Corporation  | 5.84%        |
|                                   | Chiao, Yu-Heng   | 1.42%        |
|                                   | Kim Eng Securities (HK) Limited under the trust of HSBC                                  | 1.35%        |
|                                   | The New Labor Pension Fund   | 1.32%        |
|                                   | Chiao, Yu-Lon  | 0.97%        |
|                                   | Dimension Emerging Market Evaluation Fund under the trust of Citibank (Taiwan)           | 0.94%        |
|                                   | Pacific Electric Wire & Cable Co., Ltd.  | 0.90%        |
| Zhi Jia Investment Limited        | Gigabyte   | 100%         |
| HannStar Color Co. Ltd.           | Walsin Lihwa Corporation   | 33.97%       |
|                                   | Walsin Technology Corporation  | 26.62%       |
|                                   | Chin-Xin Investment Co., Ltd   | 8.23%        |
|                                   | Global Brands Manufacture Limited  | 6.83%        |
|                                   | Central Investment Limited   | 4.07%        |
|                                   | HannStar Board Corporation   | 2.91%        |
|                                   | Walton Advanced Engineering, Inc.  | 2.48%        |
|                                   | HannStar Display Corporation   | 2.12%        |
|                                   | Prosperity Dielectrics Co., Ltd.   | 2.02%        |
|                                   | Chiao, Yu-Heng   | 1.41%        |

Note: Names of principal shareholders or shareholders who retain the top ten percentages of shares.

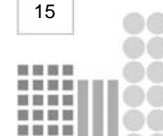
3. Work experience, specialized knowledge, and independence of directors and supervisors

December 31, 2013

| Qualification   | Has at least 5 years of work experience and meet one of the following professional qualifications   |  |   | Meet the independence criteria (Note) |   |   |   |   |   |   |   |   |    | Number of other public companies in which the director also serves as an independent director |
|---|---|--|---|---------------------------------------|---|---|---|---|---|---|---|---|----|---|
|   | An instructor or higher position in the department of commerce, law, finance, accounting or other department related to the business needs of the Company in a public or private junior college or university | A judge, public prosecutor, attorney, accountant, or other professional or technical specialist related to the needs of the Company who has passed a national examination and received a certificate | Having work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company | 1                                     | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |   |
| Name  |   |  |   |                                       |   |   |   |   |   |   |   |   |    |   |
| Chiao, Yu-Lon   |   |  | ✓   |                                       |   |   |   | ✓ |   |   |   | ✓ | ✓  | 0   |
| Chiao, Yu-Cheng   |   |  | ✓   |                                       |   |   |   |   |   |   |   | ✓ | ✓  | 0   |
| Chiao, Yu-Heng  |   |  | ✓   |                                       |   |   |   |   |   | ✓ |   | ✓ | ✓  | 0   |
| Chiao, Yu-Hwei  |   |  | ✓   |                                       |   |   |   |   |   |   |   | ✓ | ✓  | 0   |
| Zheng, Hui-Ming   |   |  | ✓   |                                       |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | 0   |
| Yang, Jih-Chang   |   |  | ✓   | ✓                                     |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | 0   |
| Tai, Yi-Yi  |   |  | ✓   | ✓                                     |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | 0   |
| Chang, Wen-Chung  |   |  | ✓   |                                       |   | ✓ | ✓ | ✓ |   | ✓ | ✓ | ✓ | ✓  | 0   |
| Chin-Xin Investment Co., Ltd<br>Representative: Hong, Wu-Shung  |   | ✓  | ✓   |                                       |   | ✓ |   |   |   |   |   |   | ✓  | 0   |
| Tian Mu Investment Co., Ltd.<br>Representative: Lin, Wang- Tsai |   |  | ✓   |                                       |   | ✓ | ✓ |   |   |   |   | ✓ | ✓  | 0   |
| Chu, Wen-Yuan   |   |  | ✓   |                                       |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | 0   |
| Walsin Technology Corporation<br>Representative: Chu, Yeu-Yuh   |   |  | ✓   |                                       |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | 0   |

Note: If the director or supervisor meets any of the following criteria in the two years before being elected or during the term of office, please check "✓" the corresponding boxes:

- (1) Not an employee of the Company or any of its affiliates;
- (2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply if the person is an independent director of the Company or its parent company, or any subsidiary in which the Company holds, directly and indirectly, more than 50% of the voting shares).
- (3) Not a natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the Company, or ranks the person in the top ten shareholders of the Company.
- (4) Not a spouse, relative within second degree of kinship, or lineal relative within third degree of kinship of any of the persons in the preceding three paragraphs.
- (5) Not a director, supervisor or employee of a juristic-person shareholder that holds directly 5% or more of the total number of outstanding shares of the Company or ranks in the top five shareholders.
- (6) Not a director, supervisor, manager or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional or an owner, partner, director, supervisor, manager or a spouse of the abovementioned who provides commercial, legal, financial, accounting services or consultation to the Company or an affiliate of the Company, excluding members of compensation committee who exercise power in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Compensation committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (8) Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company.
- (9) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.
- (10) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the R.O.C.



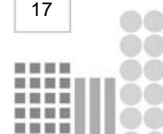
## (2) Profile of President, Vice Presidents, Assistant Vice Presidents, and Department Directors

| Position  | Name               | Date appointed | Shares held      |                      | Shares held by spouse and children |                      | Shares held in the name of others |                      |
|---|--------------------|----------------|------------------|----------------------|------------------------------------|----------------------|-----------------------------------|----------------------|
|   |                    |                | Number of shares | Percentage of shares | Number of shares                   | Percentage of shares | Number of shares                  | Percentage of shares |
| CEO   | Chiao, Yu-Lon      | 94.05.31       | 45,961,773       | 1.29%                | 19,638,314                         | 0.55%                | 0                                 | 0.00%                |
| President   | Zheng, Hui-Ming    | 100.04.28      | 600,000          | 0.02%                | 0                                  | 0.00%                | 0                                 | 0.00%                |
| President of Specialty Steel BG                     | Chang, Wen-Chung   | 91.06.10       | 514,786          | 0.01%                | 233                                | 0.00%                | 0                                 | 0.00%                |
| President of Wire & Cable BG                        | Chiao, Yu-Hwei     | 92.05.15       | 52,529,006       | 1.47%                | 0                                  | 0.00%                | 0                                 | 0.00%                |
| President of Micro Optical-Mechanical-Electronic BG | Hu, Ching-Jen      | 98.06.19       | 373,200          | 0.01%                | 0                                  | 0.00%                | 0                                 | 0.00%                |
| Vice President of Specialty Steel BG                | Chen, Cheng-Chiang | 99.05.01       | 244,722          | 0.01%                | 0                                  | 0.00%                | 0                                 | 0.00%                |
| Vice President of Specialty Steel BG                | Chen, Juei-Lung    | 99.07.01       | 100,800          | 0.00%                | 0                                  | 0.00%                | 0                                 | 0.00%                |
| Vice President of Specialty Steel BG                | Chen, Tien-Rong    | 101.08.28      | 101,300          | 0.00%                | 0                                  | 0.00%                | 0                                 | 0.00%                |



December 31, 2013

|  | Education/work experience  | Other current positions at other companies   | Manager who is the spouse or a relative within the second degree |                |                | Manager acquiring share warrants and status of limiting employee new shares |
|--|--|--|--|----------------|----------------|---|
|  |  |  | Position   | Name           | Relationship   |   |
|  | Graduated from University of Washington Business Administration.   | Chairman of Concord Financial Co., Ltd., Touch Micro-system Technology Corp., Walsin-IEL, Walsin Solar Tech Co., Ltd.; Vice Chairman of Jiangsu Taiwan Development Co., Ltd.; Director of Walton Advanced Engineering Inc., Jincheng Construction Co., Ltd., Walsin Holdings Co., Ltd., Walsin Specialty Steel Holdings Co., Ltd., Walsin Specialty Steel Co., Ltd., Walsin (Nanjing) Property Development Co., Ltd., Global Investment Holdings, Nanjing Walsin World Expo Exhibition Co., Ltd.; Vice President Commissioner of Walsin Libao Industrial.  | President of Wire & Cable BG                                     | Chiao, Yu-Hwei | Younger sister | None  |
|  | Master in Business Administration, Kelley School of Business at Indiana University and Master of Science in Chemical Engineering, University of California, Los Angeles; former CFO at HTC Corporation.  | Member of Compensation Committee; Supervisor of Winbond Electronics Corporation; Director of Acme Electronics Corporation.   | None   | None           | None           | None  |
|  | National Sun Yat-Sen University, Master's degree; former President of Yieh Mau Corporation, Lian Gang Heavy Industry Co., Ltd., Yieh United Steel Corp.  | Chairman, Walsin Precision Co., Ltd., Yantai Huanghai Steel & Iron Co., Ltd., Yantai Dazhong Resources Recycling Co., Ltd., Xi'an Walsin Metal Product Co., Ltd., Chang Shu Walsin Specialty Steel Co., Ltd., Shanghai Baihe Walsin Lihwa Specialty Steel Products Co., Ltd., Jiangyin Huaxin Special Alloy Material Co., Ltd.; Director of Walsin Specialty Steel Co., Ltd., Wuxi Xingcheng Walsin Steel Products Co., Ltd.   | None   | None           | None           | None  |
|  | MBA of College of Notre Dame; former Company clerk, secretary, Vice Manager of Finance Dept., Special Assistant to GM, Assistant Vice President of Investment Dept., Assistant Vice President of Financial Dept., Head of Financial Investment Dept., Assistant Vice President of Metals Management Center and Financial Investment Management Center.   | Chairman of Dong Guan Walsin Wire & Cable Ltd., Nan Jing Walsin Metal Co., Ltd., Hangzhou Walsin Power Cable & Wire Co., Ltd., Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd., Dong Guan HannStar Electronics Co., Ltd., Jin Chong Business Management and Consulting Corp.; Director of Walsin Specialty Steel Co., Ltd., Renowned International Co., Ltd., Vila Vila Corp., Jiang ying Walsin Steel Cable Co., Ltd.; GM of Jin Chong Business Management and Consulting Corp., Goldin Investment Co.   | CEO  | Chiao, Yu-Lon  | Older brother  | None  |
|  | M.S. UCSB Material Science Engineering, B.S. Tsing-Hua University Material Science Engineering; former E-CMOS Corporation President; Alpha-TI Semiconductor Operation V.P., NTC Operation V.P.; GM of Microsystems BG; President of US ISSI Asia; GM of Micro Optical-Mechanical-Electronic BG (incumbent).  | Chairman of Xi'an Walsin United Technology Co., Ltd., Chairman of Xi'an Walsin Opto-electric Co., Ltd.; Director of Touch Micro-system Technology Corporation, Walsin Solar Energy Co., Ltd.; President of Xi'an Walsin United Technology Co., Ltd.  | None   | None           | None           | None  |
|  | Accounting Graduate School, National Taiwan University, Audit Team Leader of Deloitte Touche Tohmatsu Limited, Financial Assistant Manager of Promisedland, Partner of GACPA, Partner of Tianyao United Accountants, Manager of Performance Analysis Dept. of Financial Service Center, Head of Financial Service Center, Deputy Chief of Financial Service Center, Head of Accounting Div., Head of Management Div., China. | Chairman of Xi'an Lujing Technology Co., Ltd., Shanghai Walsin Info-electric Inc.; Director of Walsin International Investment, Walsin China Investment Co., Ltd., Xi'an Walsin Metal Product Co., Ltd., Xi'an Walsin United Technology Co., Ltd., Jiangyin Walsin Specialty Alloy Materials Co., Ltd.; Director and President of Yantai Walsin Stainless Steel Co., Ltd., Yantai Huanghai Iron and Steel Co., Ltd., Yantai Dazhong Resources Recycling Co., Ltd., Shanghai Baihe Walsin Lihwa Specialty Steel Products Co., Ltd., Wuxi Xingcheng Walsin Steel Products Co., Ltd.; Supervisor of Shaanxi Tianhong Silicon Industrial Co., Ltd. | None   | None           | None           | None  |
|  | Graduated from Industrial Management Dept. of Tung Fang Design Institute; former Head and Chief Marketing Officer of Sales Div. of Stainless Steel Dept.; Vice GM of Specialty Steel BG.   | Director of Kuang Tai Metal Industrial Co.   | None   | None           | None           | None  |
|  | Master of Mechanical Engineering Graduate School of National Taiwan University of Science and Technology.  | Vice Chairman of Changshu Walsin Specialty Steel Co., Ltd.; Director of Shanghai Baihe Walsin Lihwa Specialty Steel Products Co., Ltd., Wuxi Xingcheng Walsin Steel Products Co., Ltd.   | None   | None           | None           | None  |



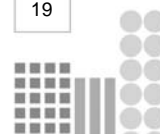
| Position                   | Name            | Date appointed | Shares held      |                      | Shares held by spouse and children |                      | Shares held in the name of others |                      |
|----------------------------|-----------------|----------------|------------------|----------------------|------------------------------------|----------------------|-----------------------------------|----------------------|
|                            |                 |                | Number of shares | Percentage of shares | Number of shares                   | Percentage of shares | Number of shares                  | Percentage of shares |
| Vice GM of Wire & Cable BG | Cheng, Chung-Wu | 99.05.01       | 102,700          | 0.00%                | 0                                  | 0.00%                | 0                                 | 0.00%                |
| Vice GM of Wire & Cable BG | Lin, Tung-Ben   | 99.05.01       | 0                | 0.00%                | 2,735                              | 0.00%                | 0                                 | 0.00%                |
| Vice GM of Wire & Cable BG | Liu, Suy-Tao    | 99.05.01       | 56,103           | 0.00%                | 40                                 | 0.00%                | 0                                 | 0.00%                |
| Chief of Staff (Note 2)    | Pan, Wen-Hu     | 96.07.16       | 107,300          | 0.00%                | 0                                  | 0.00%                | 0                                 | 0.00%                |
| Head of Financial Dept.    | Wen, Ter-Chen   | 94.01.01       | 200,000          | 0.01%                | 0                                  | 0.00%                | 0                                 | 0.00%                |
| Head of Accounting Dept.   | Wu, Chin-Sheng  | 99.05.01       | 110,400          | 0.00%                | 0                                  | 0.00%                | 0                                 | 0.00%                |

Note 1: Dong Lei, Vice GM of Commerce & Real Estate BG was relieved on August 31, 2013.

Note 2: Vice GM of Commerce & Real Estate BG starting on January 1, 2014.

December 31, 2013

| Education/work experience   | Other current positions at other companies  | Manager who is the spouse or a relative within Title Name Date appointed the second degree |      |              | Manager acquiring share warrants and status of limiting employee new shares |
|---|---|--|------|--------------|---|
|   |   | Position   | Name | Relationship |   |
| Graduated from Mechanical Engineering Dept. of National Cheng Kung Univ.  | Chairman of Jiang ying Walsin Steel Cable Co., Ltd.; Nan Jing Walsin Metal Co., Ltd., Vice Chairman of Hang zhou Walsin Power Cable & Wire Co., Ltd.; Director of Renowned International Co., Ltd., Dong Guan Walsin Wire & Cable Ltd., Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd., Dong Guan HannStar Electronics Co., Ltd.  | None   | None | None         | None  |
| Statistics Dept., National Taipei University; former Credit Assistant Mgr. at ABN AMRO Bank; Fx Transactions Assistant, Vice GM of Credit Lyonnais SA; Fx Transactions Vice GM of Royal Bank of Canada; Manager of Metals Section, Head of Metals Dept., Head of Metals Division, Vice GM of Copper BG.   | Director of Jin Cherng Business Management and Consulting Corp., Nan Jing Walsin Metal Co., Ltd., Dong Guan Walsin Wire & Cable Ltd., Hang zhou Walsin Power Cable & Wire Co., Ltd., Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd., Jiang ying Walsin Steel Cable Co., Ltd., Dawnredwood Limited, Vila Vila Corp., Super Pilot Limited.  | None   | None | None         | None  |
| Master, Mechanical Engineering Graduate School, National Taiwan University; Gold Purchase Engineer of China Steel; Vice General Engineer of the Company; General Engineer of Shanghai Wire Co.; President of Nanjing Walsin Fujikura.   | Vice Chairman of Dongguan HannStar Electronics Co., Ltd.; Director of Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.  | None   | None | None         | None  |
| MBA of US Tulane University; former Deputy Chief of Accounting Div. of Namchow, Head of Accounting Div. of Royal Foods, Finance Chief of Marketing of Philips Taiwan Semiconductor, Finance Chief of Sales of Philips Asia Pacific Semiconductor, the Company's Accounting Head.  | Chairman of Nanjing Walsin Property Management Co., Ltd.; Director of Walsin Lihwa Holdings Limited, Walsin Specialty Steel Holding Co., Ltd., Walsin Specialty Steel Co., Ltd., Jincheng Construction Co., Ltd., Xi'an Walsin United Technology Co., Ltd., Walsin-IEI Co., Ltd., Walsin International Investment, Huatong International, HannStar Board Corporation, HannStar Display Corporation, Energy Pilot Limited, Ally Energy Limited, Lead Hero Limited, Market Pilot Limited, Joint Success Enterprises Limited; Director and President of Walsin China Investment Co., Ltd., Walsin Lihwa (Changzhou) Co., Ltd; President of Walsin Opto-Electronic Technology Co., Ltd., Walsin (Nanjing) Development Co., Ltd.   | None   | None | None         | None  |
| MBA, US Texas State Univ., Planning Specialist of Xinlin Electronics, Deputy Assistant Manager of Research Dept. of Pacific Securities Co., Ltd., the Company's Financial Dept. Manager, Controller of Section Steel Dept., President of Walsin China Investment Co., Ltd., Assistant Mgr. of the Company's Operating Basis Service Center, Assistant Mgr. of Continuous Operation Steel Factory Project, Head of Financial Div. (incumbent).   | Director of Walsin Lihwa (Changzhou) Investment Co., Ltd.   | None   | None | None         | None  |
| Accounting Dept., Chung Yuan Univ.; former Section Head of Deloitte Touche Tohmatsu Limited; Deputy Mgr. of Kunjin Co., Ltd.; Deputy Mgr. of Nan Tai CPAs & Co.; Financial Mgr. of Shanglin Enterprise; Deputy Mgr. of the Company's Yanshui Cost Section, Controller of Stainless Steel Dept., Controller of Stainless Steel Dept. and Controller of Changshou/Walsin Precision OU, Controller of Stainless Steel Dept. and Controller and Auditing Head of Changzhou/Yuantai/Walsin Precision OU. | Director of Walsin-IEI Co., Ltd., Jincheng Construction Co., Ltd., Walsin Precision Co., Ltd., Xi'an Lujing Technology Co., Ltd., Shanghai Penghua Engineering Co., Ltd., Xi'an Walsin Opto-electric Co., Ltd., Chang Shu Walsin Specialty Steel Co., Ltd., Nan Jing Walsin Metal Co., Ltd.; Supervisor of Touch Micro-System Technology Co., Ltd., Walsin Opto-Electronic Technology Co., Ltd.; Supervisor of Walsin China Investment Co., Ltd., Hang zhou Walsin Power Cable & Wire Co., Ltd., Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd., Jiang ying Walsin Steel Cable Co., Ltd., Dong Guan HannStar Electronics Co., Ltd., Shanghai Baihe Walsin Lihwa Specialty Steel Products Co., Ltd., Jiangyin Huaxin Special Alloy Material Co., Ltd., Xi'an Walsin Metal Product Co., Ltd., Yantai Walsin Stainless Steel Co., Ltd., Yantai Dazhong Resources Recycling Co., Ltd., Yantai Huanghai Steel & Iron Co., Ltd., Nanjing Walsin Property Management Co., Ltd., Wuxi Xingcheng Walsin Steel Products Co., Ltd., Walsin Lihwa (Changzhou) Co., Ltd. | None   | None | None         | None  |



## (3) Remunerations to directors, supervisors, president, and vice presidents in recent years

## 1. Remuneration for directors (including independent directors)

| Position<br>(Note 1)                                    | Name<br>(Note 1)               | Director's remuneration      |  |                      |  |                                |  |                                  |  | Ratio of total (A), (B), (C),<br>and (D) to after-tax loss<br>(Note 6) (%) |   |
|---|--------------------------------|------------------------------|--|----------------------|--|--------------------------------|--|----------------------------------|--|--|---|
|   |                                | Remuneration (A)<br>(Note 2) |  | Pension (B) (Note 3) |  | Profit sharing (C)<br>(Note 4) |  | Business expense (D)<br>(Note 5) |  | Winbond  | All the<br>Companies on<br>the Financial<br>Statements<br>(Note 11) |
|   |                                | Winbond                      | All<br>companies in<br>consolidated<br>statements<br>(Note 11) | Winbond              | All<br>companies in<br>consolidated<br>statements<br>(Note 11) | Winbond                        | All<br>companies in<br>consolidated<br>statements<br>(Note 11) | Winbond                          | All<br>companies in<br>consolidated<br>statements<br>(Note 11) |  |   |
| Chairman  | Chiao, Yu-Lon                  | 0                            | 0  | 0                    | 0  | 0                              | 0  | 384,000                          | 384,000  | (0.01)   | (0.01)  |
| Vice Chairman   | Chiao, Yu-Cheng                | 1,800,000                    | 1,800,000  | 0                    | 0  | 0                              | 0  | 378,000                          | 402,000  | (0.08)   | (0.08)  |
| Director  | Zheng, Hui-Ming                | 0                            | 0  | 0                    | 0  | 0                              | 0  | 573,000                          | 573,000  | (0.02)   | (0.02)  |
| Director  | Chiao, Yu-Hwei                 | 0                            | 0  | 0                    | 0  | 0                              | 0  | 261,000                          | 261,000  | (0.01)   | (0.01)  |
| Director  | Chiao, Yu-Heng                 | 0                            | 0  | 0                    | 0  | 0                              | 0  | 258,000                          | 258,000  | (0.01)   | (0.01)  |
| Director  | Chiao, Yu-Chi<br>(Note 13)     | 0                            | 0  | 0                    | 0  | 0                              | 0  | 43,000                           | 43,000   | (0.00)   | (0.00)  |
| Director  | Chang, Wen-Chung               | 0                            | 0  | 0                    | 0  | 0                              | 0  | 264,000                          | 264,000  | (0.01)   | (0.01)  |
| Director  | Yang, Jih-Chang                | 0                            | 0  | 0                    | 0  | 0                              | 0  | 255,000                          | 255,000  | (0.01)   | (0.01)  |
| Director  | Tai, Yi-Yi                     | 0                            | 0  | 0                    | 0  | 0                              | 0  | 258,000                          | 258,000  | (0.01)   | (0.01)  |
| Corporate<br>Director                                   | Jinxin Investment<br>Co., Ltd. | 0                            | 0  | 0                    | 0  | 0                              | 0  | 240,000                          | 240,000  | (0.01)   | (0.01)  |
| Institutional<br>director<br>representative<br>(Jinxin) | Hong, Wu-Shung                 | 0                            | 0  | 0                    | 0  | 0                              | 0  | 24,000                           | 24,000   | (0.00)   | (0.00)  |
| Corporate<br>Director                                   | Tianmu Investment<br>Co., Ltd. | 0                            | 0  | 0                    | 0  | 0                              | 0  | 240,000                          | 240,000  | (0.01)   | (0.01)  |
| Institutional<br>director<br>representative<br>(Tianmu) | Lin, Wang- Tsai                | 0                            | 0  | 0                    | 0  | 0                              | 0  | 24,000                           | 48,000   | (0.00)   | (0.00)  |
| Total   |                                | 1,800,000                    | 1,800,000  | 0                    | 0  | 0                              | 0  | 3,202,000                        | 3,250,000  | (0.19)   | (0.19)  |

Note 1: Names and remuneration for directors shall be disclosed if the most recent year made an after-tax loss.

Note 2: Remuneration to the director in the past year (including salary, additional pay, severance pay, bonuses and rewards).

Note 3: Refers to pension set aside pursuant to the law.

Note 4: The amount is the proposed remuneration to directors according to the most recent earnings distribution that has been approved by the Board of Directors but has not been submitted to the shareholders' meeting.

Note 5: Refers to the expenses incurred by directors to perform relevant duties (including transportation, special disbursements, and various allowances).

Note 6: After-tax net income (loss) refers to the after-tax net income (loss) of individual financial statement in the most recent year.

Note 7: Refers to the salaries, additional pay, severance pay, various rewards, incentives, treasury stock price difference, car rent, special allowance, an various allowances received by directors double as employees (including doubling as president, vice president, managers, and employees) in the most recent year. Remuneration for drivers totaled NT\$3,752,401/year.

Note 8: For directors also working as an employee (including the position of president, vice president, other managerial officer and staff), the amount of the proposed profit sharing and bonus according to the most recent earnings distribution that has been approved by the Board of Directors but has not been submitted to the shareholders' meeting.

Unit: NTD

| Pay received as an employee                      |  |                      |  |                                     |             |  |             |   |  |  |  | Ratio of total (A), (B), (C), (D), (E), (F) and (G) to after-tax loss (Note 6) (%) |  | Remuneration received from Investees other than subsidiaries (Note 12) |
|--|--|----------------------|--|-------------------------------------|-------------|--|-------------|---|--|--|--|--|--|--|
| Salary, bonus and special allowance (E) (Note 7) |  | Pension (F) (Note 3) |  | Profit sharing & bonus (G) (Note 8) |             |  |             | Shares subscribable under employee stock options (H) (Note 9) |  | Shares obtained through restricted stock award (I) (Note 10) |  |  |  |  |
| Winbond  | All companies in consolidated statements (Note 11) | Winbond              | All companies in consolidated statements (Note 11) | Winbond                             |             | All companies in consolidated statements (Note 11) |             | Winbond   | All companies in consolidated statements (Note 11) | Winbond  | All companies in consolidated statements (Note 11) | Winbond  | All companies in consolidated statements (Note 11) |  |
|  |  |                      |  | Cash bonus                          | Stock bonus | Cash bonus   | Stock bonus |   |  |  |  |  |  |  |
| 6,564,725  | 6,564,725  | 289,481              | 289,481  | 0                                   | 0           | 0  | 0           | 0   | 0  | 0  | 0  | (0.27)   | (0.27)   | 18,000   |
| 0  | 0  | 0                    | 0  | 0                                   | 0           | 0  | 0           | 0   | 0  | 0  | 0  | (0.08)   | (0.08)   | 8,292,399  |
| 15,741,617                                       | 15,741,617   | 361,440              | 361,440  | 0                                   | 0           | 0  | 0           | 0   | 0  | 0  | 0  | (0.45)   | (0.45)   | 0  |
| 12,908,200                                       | 14,708,200   | 434,880              | 434,880  | 0                                   | 0           | 0  | 0           | 0   | 0  | 0  | 0  | (0.51)   | (0.57)   | 600,000  |
| 0  | 0  | 0                    | 0  | 0                                   | 0           | 0  | 0           | 0   | 0  | 0  | 0  | (0.01)   | (0.01)   | 20,847,954   |
| 0  | 0  | 0                    | 0  | 0                                   | 0           | 0  | 0           | 0   | 0  | 0  | 0  | (0.00)   | (0.00)   | 22,903,000   |
| 12,793,452                                       | 12,793,452   | 396,050              | 396,050  | 0                                   | 0           | 0  | 0           | 0   | 0  | 0  | 0  | (0.50)   | (0.50)   | 0  |
| 0  | 0  | 0                    | 0  | 0                                   | 0           | 0  | 0           | 0   | 0  | 0  | 0  | (0.01)   | (0.01)   | 0  |
| 0  | 0  | 0                    | 0  | 0                                   | 0           | 0  | 0           | 0   | 0  | 0  | 0  | (0.01)   | (0.01)   | 6,453,000  |
| 0  | 0  | 0                    | 0  | 0                                   | 0           | 0  | 0           | 0   | 0  | 0  | 0  | (0.01)   | (0.01)   | 0  |
| 0  | 4,489,000<br>1 company car, book value NTS1        | 0                    | 0  | 0                                   | 0           | 0  | 0           | 0   | 0  | 0  | 0  | (0.00)   | (0.17)   | 0  |
| 0  | 0  | 0                    | 0  | 0                                   | 0           | 0  | 0           | 0   | 0  | 0  | 0  | (0.01)   | (0.01)   | 0  |
| 2,691,326  | 2,691,326  | 268,604              | 268,604  | 0                                   | 0           | 0  | 0           | 0   | 0  | 0  | 0  | (0.11)   | (0.11)   | 367,999  |
| 50,699,320                                       | 56,988,320<br>1 company car, book value NTS1       | 1,750,455            | 1,750,455  | 0                                   | 0           | 0  | 0           | 0   | 0  | 0  | 0  | (2.14)   | (2.37)   | 59,482,352   |

Note 9: Shares subscribable under employee stock option plan by the director also working as an employee (including the position of president, vice president, other managerial officer and staff) as of the date of report (excluding shares already exercised).

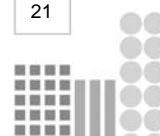
Note 10: Shares obtained through restricted stock award by the director also working as an employee (including the position of president, vice president, other managerial officer and staff) as of the date of report.

Note 11: The total pay to the director from all companies in the consolidated statements (including the Company).

Note 12: a. This field shows the amount of remuneration a director of the Company receives from investees other than subsidiaries of the Company.

b. The remuneration means pay, remuneration, employee bonus and business expense received by the director serving as a director, supervisor or manager of an investee of the Company other than subsidiaries.

Note 13: Director Chiao, Yu-Chi resigned on February 25, 2013.



## 2. Remuneration to supervisors

| Position<br>(Note 1)   | Name (Note 1)                 | Supervisor's Remuneration |   |                             |   |
|--|-------------------------------|---------------------------|---|-----------------------------|---|
|  |                               | Remuneration (A) (Note 2) |   | Profit sharing (B) (Note 3) |   |
|  |                               | Winbond                   | All companies in consolidated statements (Note 6) | Winbond                     | All companies in consolidated statements (Note 6) |
| Supervisor   | Chu, Wen-Yuan                 | 0                         | 0   | 0                           | 0   |
| Institutional supervisor                                       | Walsin Technology Corporation | 0                         | 0   | 0                           | 0   |
| Institutional supervisor representative<br>(Walsin Technology) | Chu, Yeu-Yuh                  | 0                         | 0   | 0                           | 0   |
| Total  |                               | 0                         | 0   | 0                           | 0   |

Note 1: Names and remuneration for supervisors shall be disclosed if the most recent year made an after-tax loss.

Note 2: Remuneration to supervisors in the past year (including salary, additional pay, severance pay, bonuses and rewards).

Note 3: The amount is the proposed remuneration to supervisors according to the most recent earnings distribution that has been approved by the Board of Directors but has not been submitted to the shareholders' meeting.

Note 4: Refers to the expenses incurred by supervisors to perform relevant duties (including transportation, special disbursements, and various allowances). No company car had been assigned.

Note 5: After-tax net income (loss) refers to the after-tax net income (loss) of individual financial statement in the most recent year.

Note 6: The total pay to supervisors from all companies in the consolidated statements (including the Company).

## 3. Remunerations to president and vice president

| Position<br>(Note 1)                                | Name (Note 1)      | Salary (A)(Note 2) |   | Pension (B) (Note 3) |   | Bonus and special allowance (C)<br>(Note 4) |   |
|---|--------------------|--------------------|---|----------------------|---|---|---|
|   |                    | Winbond            | All companies in consolidated statements (Note 9) | Winbond              | All companies in consolidated statements (Note 9) | Winbond                                     | All companies in consolidated statements (Note 9) |
| CEO   | Chiao, Yu-Lon      | 52,352,639         | 54,152,639  | 3,524,510            | 3,524,510   | 35,005,461                                  | 36,823,645  |
| President   | Zheng, Hui-Ming    |                    |   |                      |   |   |   |
| President of Wire & Cable BG                        | Chiao, Yu-Hwei     |                    |   |                      |   |   |   |
| President of Specialty Steel BG                     | Chang, Wen-Chung   |                    |   |                      |   |   |   |
| President of Micro Optical-Mechanical-Electronic BG | Hu, Ching-Jen      |                    |   |                      |   |   |   |
| Chief of Staff                                      | Pan, Wen-Hu        |                    |   |                      |   |   |   |
| Vice GM of Commerce & Real Estate BG                | Dong Lei (Note 13) |                    |   |                      |   |   |   |
| Vice GM of Wire & Cable BG                          | Cheng, Chung-Wu    |                    |   |                      |   |   |   |
| Vice GM of Wire & Cable BG                          | Lin, Tung-Ben      |                    |   |                      |   |   |   |
| Vice GM of Wire & Cable BG                          | Liu, Suy-Tao       |                    |   |                      |   |   |   |
| Vice President of Specialty Steel BG                | Chen, Juei-Lung    |                    |   |                      |   |   |   |
| Vice President of Specialty Steel BG                | Chen, Cheng-Chiang |                    |   |                      |   |   |   |
| Vice President of Specialty Steel BG                | Chen, Tien-Rong    |                    |   |                      |   |   |   |

## Remuneration Schedule

| Range of remuneration paid to presidents and vice presidents | Names of presidents and vice presidents  |   |
|--|--|---|
|  | The Company (Note 11)  | All investees (Note 12) (Note 10b) E  |
| <NT\$2,000,000   | Dong Lei   |   |
| NT\$2,000,000 (inclusive)-NT\$5,000,000 (exclusive)          | Pan, Wen-Hu; Cheng, Chung-Wu; Liu, Suy-Tao; Chen, Juei-Lung; Chen, Cheng-Chiang; Chen, Tien-Rong | Dong Lei; Cheng, Chung-Wu; Liu, Suy-Tao; Chen, Juei-Lung; Chen, Cheng-Chiang; Chen, Tien-Rong |
| NT\$5,000,000 (inclusive)-NT\$10,000,000 (exclusive)         | Chiao, Yu-Lon; Hu, Ching-Jen; Lin, Tung-Ben  | Chiao, Yu-Lon; Hu, Ching-Jen; Pan, Wen-Hu; Lin, Tung-Ben                                      |
| NT\$10,000,000 (inclusive)-NT\$15,000,000 (exclusive)        | Chiao, Yu-Hwei; Chang, Wen-Chung   | Chang, Wen-Chung  |
| NT\$15,000,000 (inclusive)-NT\$30,000,000 (exclusive)        | Zheng, Hui-Ming  | Zheng, Hui-ming; Chiao, Yu-Hwei   |
| NT\$30,000,000 (inclusive)-NT\$50,000,000 (exclusive)        |  |   |
| NT\$50,000,000 (inclusive)-NT\$100,000,000 (exclusive)       |  |   |
| > NT\$100,000,000  |  |   |
| Total  | 13 persons   | 13 persons  |

Note 1: Names of President and Vice President shall be separately listed, with the total amounts they received summarized.

Note 2: Salary, additional pay, and severance pay received by the president or vice president in the past year.

Note 3: Refers to pension set aside pursuant to the law.

Unit: NTD

|         | Business expense (C) (Note 4) |   | Ratio of total (A), (B), and (C) to after-tax income (%) (Note 5) |   | Remuneration received from Investees other than subsidiaries (Note 7) |
|---------|-------------------------------|---|---|---|---|
|         | Winbond                       | All companies in consolidated statements (Note 6) | Winbond   | All companies in consolidated statements (Note 6) |   |
|         | 252,000                       | 252,000   | (0.01)  | (0.01)  |   |
| 240,000 | 240,000                       | (0.01)  | (0.01)  | 0   |   |
| 18,000  | 18,000                        | (0.00)  | (0.00)  | 696,000   |   |
| 510,000 | 510,000                       | (0.02)  | (0.02)  | 4,159,000   |   |

Note 7: a. This field shows the amount of remuneration a supervisor of the Company receives from investees other than subsidiaries of the Company.  
b. The remuneration means pay, remuneration, employee bonus and business expense received by the supervisor serving as a director, supervisor or manager of an investee of the Company other than subsidiaries.

Unit: NTD

|  | Employee bonus (D) (Note 5) |             |   |             | Ratio of total (A), (B), (C), and (D) to after-tax loss (Note 6) (%) |   | Shares subscribable under employee stock options (Note 7) |   | Shares obtained through restricted stock award (Note 8) |   | Remuneration received from Investees other than subsidiaries (Note 10) |
|--|-----------------------------|-------------|---|-------------|--|---|---|---|---|---|--|
|  | Winbond                     |             | All companies in consolidated statements (Note 9) |             | Winbond  | All companies in consolidated statements (Note 9) | Winbond   | All companies in consolidated statements (Note 9) | Winbond   | All companies in consolidated statements (Note 9) |  |
|  | Cash bonus                  | Stock bonus | Cash bonus  | Stock bonus |  |   |   |   |   |   |  |
|  | 0                           | 0           | 0   | 0           | (3.38)   | (3.51)  | 0   | 0   | 0   | 0   | 1,347,000  |

Note 4: Bonus, reward, transportation allowance, special allowance, stipends, car rent and other pays received by the president or vice president in the past year.  
The said amount excludes one company car, with a book value of NT\$1. Remuneration for drivers totaled NT\$3,752,401/year.

Note 5: The amount is the employee bonus (including stock bonus and cash bonus) to the president and vice presidents according to the most recent earnings distribution that has been approved by the Board of Directors but has not been submitted to the shareholders' meeting.

Note 6: After-tax net income (loss) refers to the after-tax net income (loss) of individual financial statement in the most recent year.

Note 7: Shares subscribable under employee stock option plan by the president or vice president as of the date of report (excluding shares already exercised).

Note 8: Shares obtained through restricted stock award by president and vice presidents as of the date of report.

Note 9: The total pay to the president or vice president from all companies in the consolidated statements (including the Company).

Note 10: a. This field shows the amount of remuneration the president or vice president of the Company receives from investees other than subsidiaries of the Company.

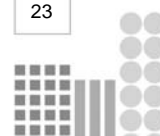
b. If the President and Vice President receive remuneration from investees other than subsidiaries, the said remuneration shall be included in column E of the Remuneration Schedule with the column name changed to "All Investees."

c. The remuneration means pay, remuneration, employee bonus and business expense received by the president or vice president serving as a director, supervisor or manager of an investee of the Company other than subsidiaries.

Note 11: For the remuneration the Company has paid, names of every President and Vice President shall be disclosed in their corresponding range within the Remuneration Scale.

Note 12: For the remuneration all companies on the consolidated statements (including the Company) have paid, names of every President and Vice President shall be disclosed in their corresponding range within the Remuneration Scale.

Note 13: Vice GM Dong Lei was relieved on August 31, 2013.



## 4. Distribution of employee bonus to managers

December 31, 2013

|                    | Title (Note 1)                                      | Name (Note 1)      | Stock bonus | Cash bonus | Total | Percentage of the total to the after-tax net loss (%) |
|--------------------|---|--------------------|-------------|------------|-------|---|
| Managerial officer | CEO   | Chiao, Yu-Lon      |             |            |       |   |
|                    | President   | Zheng, Hui-Ming    |             |            |       |   |
|                    | President of Wire & Cable BG                        | Chiao, Yu-Hwei     |             |            |       |   |
|                    | President of Specialty Steel BG                     | Chang, Wen-Chung   |             |            |       |   |
|                    | President of Micro Optical-Mechanical-Electronic BG | Hu, Ching-Jen      |             |            |       |   |
|                    | Chief of Staff                                      | Pan, Wen-Hu        |             |            |       |   |
|                    | Vice GM of Wire & Cable BG                          | Cheng, Chung-Wu    |             |            |       |   |
|                    | Vice GM of Wire & Cable BG                          | Lin, Tung-Ben      | 0           | 0          | 0     | 0   |
|                    | Vice GM of Wire & Cable BG                          | Liu, Suy-Tao       |             |            |       |   |
|                    | Vice President of Specialty Steel BG                | Chen, Juei-Lung    |             |            |       |   |
|                    | Vice President of Specialty Steel BG                | Chen, Cheng-Chiang |             |            |       |   |
|                    | Vice President of Specialty Steel BG                | Chen, Tien-Rong    |             |            |       |   |
|                    | Head of Financial Dept.                             | Wen, Ter-Chen      |             |            |       |   |
|                    | Head of Accounting Dept.                            | Wu, Chin-Sheng     |             |            |       |   |

\* The amount is the employee bonus (including stock bonus and cash bonus) to managers according to the most recent earnings distribution that has been approved by the Board of Directors but has not been submitted to the shareholders' meeting. After-tax net income (loss) refers to the after-tax net income (loss) of individual financial statement in the most recent year.

Note 1: Individual names and titles shall be disclosed with the distribution of earnings disclosed in the form of a summary.

(4) Analysis of remunerations to directors, supervisors, president and vice presidents as a percentage of earnings in the last two years and description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance:

1. Analysis of remunerations to directors, supervisors, president and vice presidents as a percentage of earnings in the last two years:

| Position                     | 2013 Percentages of Remuneration to After-tax Net Loss for the Company and the Consolidated Statements (%) | 2012 Percentages of Remuneration to After-tax Net Loss for the Company and the Consolidated Statements (%) |
|------------------------------|--|--|
| Director                     | (2.37)   | (2.05)   |
| Supervisor                   | (0.02)   | (0.02)   |
| President and Vice President | (3.51)   | (3.20)   |

2. Description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance:

The Company's policy for remunerating its directors and supervisors is formulated based on the Company Law and the Company's regulations. The Company's operating strategy, profitability, future development, and industry condition have also been taken into account. The Compensation Committee usually submits a proposal, which is passed at a board meeting before the policy takes effect.

Remuneration policy toward President and Vice President is formulated based on operating strategy, profitability, performance, and contribution to the Company. Prevailing market salary level is also taken into account. The policy is submitted by the Compensation Committee and takes effect after it is passed at a boarding meeting.

The said principles may be adjusted based on economic conditions, the Company's future development, profitability, and operating risks.



### 3. Corporate Governance

#### (1) Overview of Operations of the Board of Directors

In the most recent year, the Board held 8 meetings. The attendance record is as follows:

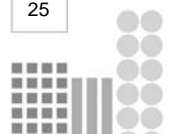
December 31, 2013

| Position      | Name  | Attended in person | Attended by representative | Attendance percentage(%) | Remark |
|---------------|---|--------------------|----------------------------|--------------------------|--------|
| Chairman      | Chiao, Yu-Lon   | 8                  | 0                          | 100%                     |        |
| Vice Chairman | Chiao, Yu-Cheng   | 6                  | 0                          | 75%                      |        |
| Director      | Chiao, Yu-Heng  | 5                  | 1                          | 63%                      |        |
| Director      | Chiao, Yu-Hwei  | 7                  | 0                          | 88%                      |        |
| Director      | Zheng, Hui-Ming   | 7                  | 0                          | 88%                      |        |
| Director      | Yang, Jih-Chang   | 5                  | 0                          | 63%                      |        |
| Director      | Tai, Yi-Yi  | 6                  | 0                          | 75%                      |        |
| Director      | Chang, Wen-Chung  | 5                  | 3                          | 63%                      |        |
| Director      | Chin-Xin Investment Co., Ltd<br>Representative:<br>Hong, Wu-Xiong | 8                  | 0                          | 100%                     |        |
| Director      | Tien Mu Investment Co. Ltd<br>Representative:<br>Lin, Wang-Tsai   | 8                  | 0                          | 100%                     |        |
| Supervisor    | Chu, Wen-Yuan   | 4                  | -                          | 50%                      |        |
| Supervisor    | Walsin Technology Corporation<br>Representative:<br>Chu, Yeu-Yuh  | 6                  | -                          | 75%                      |        |

#### Additional information:

- Matters listed in Article 14.3 and other matters passed at board meetings that are opposed by independent directors shall indicate the date of the meeting, the contents of the resolution, all independent directors' opinions, and the Company's handling of their opinions: None; the Company's has not yet elected independent directors.
- Directors avoiding conflicts of interests shall be described with the directors' names, contents of the resolutions, reasons for not being involved, and their vote for the resolutions stated: Please see the attachment below for details.
- Evaluation of achieving the objectives of the board's functions in the current year and the most recent year (e.g. establishing an Audit Committee and raising information transparency):
  - In addition to explaining the duties of the board in the Articles of Association, the Company has drafted "Regulations Governing the Holding of Board Meetings" and "Handling Procedure for Major Internal Information" to strengthen the operation of the board and corporate governance.
  - In accordance with the "Rules Governing the Evaluation of the Performance of Directors and Supervisors" drafted by the Compensation Committee, members of the board in December of each year evaluate their own performance based on established indicators in an effort to improve shareholders' long-term value.
  - The Company discloses, in a timely fashion, important resolutions passed at board meetings and the relevant information on the Market Observation Post System and its website pursuant to the relevant regulations to help shareholders understand the Company's activities and raise its information transparency.

Note: Director Chiao, Yu-Chi resigned on February 25, 2013. During his appointment, he should have attended one meeting but did not; instead, he sent a representative to attend the meeting on his behalf.



## [Attachment] Directors' avoidance of conflicts of interests

December 31, 2013

| Position                                     | Name   | Resolution  | Reason for avoidance      | Voted or not | Remark  |
|--|--|---|---------------------------|--------------|---|
| Director                                     | Chang, Wen-Chung   | Evaluating and determining the remuneration for Managers Chang, Wen-Chung; Chen, Tien-Rong; and Cheng, Chung-Wu.                                | Being managers themselves | Not          | January 28, 2013<br>19th meeting of the 16th board  |
| Chairman<br>Director<br>Director             | Chiao, Yu-Lon<br>Zheng, Hui-Ming<br>Chiao, Yu-Hwei                     | Revising some of the articles governing managers' performance bonus for 2012-2014.  | Being managers themselves | Not          | January 28, 2013<br>19th meeting of the 16th board  |
| Chairman<br>Director<br>Director<br>Director | Chiao, Yu-Lon<br>Zheng, Hui-Ming<br>Chiao, Yu-Hwei<br>Chang, Wen-Chung | Managers' performance review for 2012.  | Being managers themselves | Not          | January 28, 2013<br>19th meeting of the 16th board  |
| Chairman<br>Director<br>Director<br>Director | Chiao, Yu-Lon<br>Zheng, Hui-Ming<br>Chiao, Yu-Hwei<br>Chang, Wen-Chung | Reviewing managers' performance reward for 2012.  | Being managers themselves | Not          | January 28, 2013<br>19th meeting of the 16th board  |
| Vice Chairman                                | Chiao, Yu-Cheng  | Reviewing and determining the remuneration for Vice Chairman Mr. Chiao, Yu-Cheng.   | Being an interested party | Not          | January 28, 2013<br>19th meeting of the 16th board  |
| Director                                     | Chiao, Yu-Hwei   | Lifting the non-competition ban on managers.  | Being an interested party | Not          | March 21, 2013<br>20th meeting of the 16th board    |
| Director                                     | Chiao, Yu-Hwei   | Lifting the non-competition ban on directors imposed by Article 209 of the Company Act.   | Being an interested party | Not          | March 21, 2013<br>20th meeting of the 16th board    |
| Chairman                                     | Chiao, Yu-Lon  | Negotiating a reconciliation with Solarion AG.  | Being an interested party | Not          | March 21, 2013<br>20th meeting of the 16th board    |
| Chairman<br>Director<br>Director<br>Director | Chiao, Yu-Lon<br>Zheng, Hui-Ming<br>Chiao, Yu-Hwei<br>Chang, Wen-Chung | Setting the 2013 objectives for managers.   | Being managers themselves | Not          | April 29, 2013<br>21st meeting of the 16th board    |
| Vice Chairman                                | Chiao, Yu-Cheng  | Transferring a portion of the shares the Company owns of Chin-Xin Investment Co., Ltd. to Winbond Electronics Corporation, an interested party. | Party to a transaction    | Not          | November 13, 2013<br>25th meeting of the 16th board |

(2) Operation of the Audit Committee or the status of Supervisors participating in the operation of the Board

1. Operation of the Audit Committee: None, the Company does not have an Audit Committee.
2. Status of Supervisors participating in the operation of the Board:

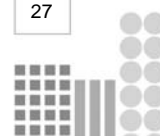
The Board had 8 meetings in the most recent year, the attendance is as follows:

December 31, 2013

| Position   | Name  | Number of meetings attended | Percentage (%) | Remark |
|------------|---|-----------------------------|----------------|--------|
| Supervisor | Chu, Wen-Yuan   | 4                           | 50%            |        |
| Supervisor | Walsin Technology Corporation<br>Representative: Chu, Yeu-Yuh | 6                           | 75%            |        |

Additional information:

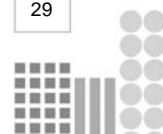
1. Makeup of Supervisors and their duties: Supervisors are elected by shareholders according to the law. They shall periodically review the Company's internal audit reports and attend Board meetings to oversee their operation. Each year they review the relevant financial statements and submit them to the annual general meeting (AGM).
  - (1) Communication between Supervisors and employees and shareholders: When performing their duties, Supervisors may learn about the Company's operation and its financial condition by holding meetings with the internal audit chief and the financial and accounting head or by phoning them.
  - (2) Communication between Supervisors and the internal audit chief and CPAs: Supervisors shall have at least one meeting with the Company's internal audit chief and the CPAs each year and be briefed on the Company's internal audit status, financial condition and finances of subsidiaries, internal control and overall operation. In the event of major irregularities, a meeting shall be called at any time. Supervisors shall engage CPAs to review the Company's financial statements, with review reports given to Supervisors.
2. If Supervisors attending a Board meeting have any opinions, they shall indicate the date and session of the meeting, the issues discussed, the resolutions passed, and the Company's reaction to their opinions: None.



(3) How the Company is governed and the discrepancies between the way it is governed and the Corporate Governance Principles for Exchange and OTC Listed Companies and the reasons behind the discrepancies:

| Item  | Operation  | Discrepancies between the way the Company is governed and the Corporate Governance Principles for Exchange and OTC Listed Companies and the reasons behind the discrepancies   |
|---|--|--|
| <p>A. The Company's shareholding structure and shareholders' rights and interests</p> <p>(1) The method with which the Company handles shareholders' recommendations or disputes</p> <p>(2) The list of shareholders having control over the Company and the ultimate controllers of principal shareholders</p> <p>(3) The risk management mechanisms and firewalls the Company has established with its affiliates</p> | <p>Shareholders Service Office is in charge of handling various shareholder recommendations, questions, and disputes.</p> <p>The Company has established sections on its website dedicated to collecting various questions and suggestions.</p> <p>The Company periodically discloses the list of ultimate controllers of its principal shareholders pursuant to the law.</p> <p>1. The Company has drafted rules governing the supervision of its subsidiaries, which have been approved by the Board.</p> <p>2. All of the Company's affiliates are subsidiaries the Company directly or indirectly retain at least 50% of their shares. Business dealings with affiliates are treated as transactions with third parties to prevent irregular transactions.</p> <p>3. The Company has drawn up rigorous rules governing the lending of funds and the providing of guarantees to its affiliates.</p> | <p>In line with the Corporate Governance Principles for Exchange and OTC Listed Companies.</p> <p>In line with the Corporate Governance Principles for Exchange and OTC Listed Companies.</p> <p>In line with the Corporate Governance Principles for Exchange and OTC Listed Companies.</p> |
| <p>B. The makeup and duties of the Board</p> <p>(1) Installing independent directors</p> <p>(2) Periodically evaluating independence of certifying CPAs</p>   | <p>Three independent directors are going to be elected at the AGM this year, a reelection year.</p> <p>The Company requests certifying CPAs to provide an Impartiality and Independence Statement" each year. The Company has confirmed that except for the expenses paid to the CPAs for certifying the Company's financial statements and for handling certain financial, tax affairs, the Company has no other business dealings with them, and their family members also have not violated the independence requirements. The Board has been briefed on the above.</p> <p>This year the Company is expected to draft the "Guidelines Governing Corporate Governance" and the "Guidelines Governing Honest Operation" and implement its director diversification policy. After the Board has been briefed, the above measures shall be faithfully implemented.</p>                                  | <p>In line with the Corporate Governance Principles for Exchange and OTC Listed Companies.</p> <p>In line with the Corporate Governance Principles for Exchange and OTC Listed Companies.</p>  |
| <p>C. Establishing communication channels with interested parties</p>   | <p>The Company has been maintaining open communication channels with interested parties that include the banks it has business dealings with, creditors, employees, consumers, suppliers, communities, or are otherwise connected with the Company. Communication channels can be found on the Company's website and in its annual reports.</p>  | <p>In line with the Corporate Governance Principles for Exchange and OTC Listed Companies.</p>   |

| Item  | Operation   | Discrepancies between the way the Company is governed and the Corporate Governance Principles for Exchange and OTC Listed Companies and the reasons behind the discrepancies                  |
|---|---|---|
| <p>D. Information disclosure</p> <p>(1) The Company discloses its financial business and corporate governance on its website.</p> <p>(2) The Company also adopts other information disclosure methods (e.g. establishing an English-language website, designating persons to collect and disclose Company information, implementing the spokesperson system, placing the processes of investor conferences on its website).</p>   | <p>The Company does disclose its financial business-related information on its website. Once its corporate governance system is established, it will disclose all relevant information on its website.</p> <p>Other information disclosure methods adopted by the Company:</p> <ol style="list-style-type: none"> <li>1. The Press and Media Dept. is responsible for disclosing information over the Company's website, while the Accounting Dept. is in charge of disclosing information through the Market Observation Post System.</li> <li>2. The Company has established a spokesperson system. The unit responsible for making statements, its duties, and the procedure by which statements are made shall be based on the Company's spokesperson operating rules.</li> <li>3. To meet the demand for English-language information and improve the Company's information transparency and reputation, in addition to the Chinese-language annual report, the Company is providing an English-language annual report this year and will upload it to its website as soon as possible.</li> <li>4. The Company is going to disclose on its website and on the Market Observation Post System Company information in English, including public financial information such as yearly and interim financial statements.</li> </ol> | <p>In line with the Corporate Governance Principles for Exchange and OTC Listed Companies.</p> <p>In line with the Corporate Governance Principles for Exchange and OTC Listed Companies.</p> |
| <p>E. Operation of committees proposed by the Company and committees with other functions</p>   | <p>On September 27, 2011, the Company established a Compensation Committee and drew up the Regulations Governing the Organization of the Compensation Committee. The Compensation Committee is comprised of three members, currently independent individuals. The Committee is aimed at helping the Board to establish and periodically review the performance review of directors, supervisors, and managers, and the remuneration policy, system, standards, and structure, as well as to periodically review and determine the remuneration for directors, supervisors, and managers.</p>  | <p>In line with the Corporate Governance Principles for Exchange and OTC Listed Companies.</p>  |
| <p>F. If the Company has drafted corporate governance guidelines pursuant to the "Corporate Governance Principles for Exchange and OTC Listed Companies," please indicate the differences between the implementation of the guidelines and the guidelines themselves: This year the Company will draft its corporate governance guidelines based on the "Remuneration Committee Charter" drafted jointly by Taiwan Stock Exchange and GreTai Securities Market.</p>   |   |   |
| <p>G. Other information that is helpful for understanding the status of corporate governance (e.g. employee rights and interests, investor relations, supplier relations, rights of interested parties, further education sought by directors and supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, the taking out of liability insurance for Directors and Supervisors):</p> <ol style="list-style-type: none"> <li>1. Please read "Summary of the Company's Operations -- 5" of this year's Annual Report for information concerning the Company's systems, measures, implementation of employee rights and interests, investor relations, supplier relations, and rights of interested parties.</li> <li>2. Please read "Corporate Governance Report. 3 Status of Corporate Governance (8)," "Financial Condition and Review and Analysis of Financial Performance and Risks 6." of this year's Annual Report for Directors and Supervisors seeking further education, risk management policies, and risk evaluation standards, implementation of customer policies, and liability insurance taken out for Directors and Supervisors.</li> </ol> |   |   |
| <p>H. If there is a corporate governance self-evaluation report or a corporate governance evaluation report prepared by a specialized institution, the evaluation results, major faults(or suggestions) and improvements shall be described: None.</p>  |   |   |



## (4) Makeup, duties, and operation of the Compensation Committee:

On September 27, 2011, the Company established a Compensation Committee and drew up the Regulations Governing the Organization of the Compensation Committee. The Committee is comprised of three members, of which two were independent individuals and one was the Company's Board Director in 2013 (it is now comprised of three independent individuals). The Committee is aimed at helping the Board to draft and periodically examine the performance review of directors, supervisors, and managers, and the policy, system, standards, and structure of their remuneration, as well as to determine and periodically review their remuneration.

## 1. Information of the members of the Compensation Committee

| Identity<br>(Note 1) | Criteria        | Whether possessing at least five-year work experience and the following specialized qualifications  |  |   | Meet the independence criteria (Note 2) |   |   |   |   |   |   |   | Number of other publicly-owned companies of whose compensation committees they are on | Remark (Note 3) |                                     |
|----------------------|-----------------|---|--|---|---|---|---|---|---|---|---|---|---|-----------------|-------------------------------------|
|                      |                 | An instructor or higher position in the department of commerce, law, finance, accounting or other department related to the business needs of the Company in a public or private junior college or university | A judge, public prosecutor, attorney, accountant, or other professional or technical specialist related to the needs of the Company who has passed a national examination and received a certificate | Having work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company | 1                                       | 2 | 3 | 4 | 5 | 6 | 7 | 8 |   |                 |                                     |
| Other                | Hsu, Lu-Pao     | ✓   |  | ✓   | ✓                                       | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | 0               |                                     |
| Other                | Chen, Yi-Min    |   |  | ✓   | ✓                                       | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | 0               |                                     |
| Director             | Zheng, Hui-Ming |   |  | ✓   |   |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓   | 0               | Qualifications meeting requirements |

Note 1: Fill in director, independent director, or other.

Note 2: If the member meets any of the following criteria in the two years before being elected or during the term of office, please check "✓" the corresponding boxes:

- (1) Not an employee of the Company or any of its affiliates;
- (2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply if the person is an independent director of the Company or its parent company, or any subsidiary in which the Company holds, directly and indirectly, more than 50% of the voting shares).
- (3) Not a natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the Company, or ranks the person in the top ten shareholders of the Company.
- (4) Not a spouse, relative within second degree of kinship, or lineal relative within third degree of kinship of any of the persons in the preceding three paragraphs.
- (5) Not a director, supervisor or employee of a juristic-person shareholder that holds directly 5% or more of the total number of outstanding shares of the Company or ranks in the top five shareholders.
- (6) Not a director, supervisor, manager or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional or an owner, partner, director, supervisor, manager or a spouse of the abovementioned who provides commercial, legal, financial, accounting services or consultation to the Company or an affiliate of the Company.
- (8) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

Note 3: If a director, indicate whether he/she satisfy Article 6.5 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter."

## 2. Operation of the Compensation Committee

(1) The Company's Compensation Committee is comprised of three persons.

(2) Term of the current members: September 27, 2011 to June 16, 2014 (Note 1). The Committee held 4 meetings in the most recent year (A). Member qualifications and the attendance are shown below:

| Position | Name            | Number of meetings attended (B) | Attended by representative | Attendance percentage (%) (B/A) (Note 2) | Remark |
|----------|-----------------|---------------------------------|----------------------------|--|--------|
| Convener | Hsu, Lu-Pao     | 4                               | 0                          | 100%                                     |        |
| Member   | Chen, Yi-Min    | 4                               | 0                          | 100%                                     |        |
| Member   | Zheng, Hui-Ming | 4                               | 0                          | 100%                                     |        |

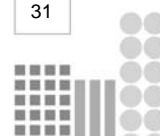
Additional information:

- If the Board does not accept or modifies the Committee's suggestions, it shall indicate the date and session of the Board meeting, the resolutions, the decisions, and the Company's handling of the opinions of the Committee: None.
- If a member opposes a resolution the Committee has adopted or has reservations with a written record or a statement, the date and session of the meeting, the resolution, opinions of all the members, and the handling of their opinions shall be indicated: None.

Note 1: Due to the fact that Zheng, Hui-Ming is a Director, the term of the current members is from September 27, 2011 to March 19, 2014. The Board meeting held on March 5, 2014 elected Mr. Chen, Xiang-Zhong as a Compensation Committee member with a term ending on June 11, 2014.

Note 2:(1) If a Committee member leaves the Committee before the end of the fiscal year, the date of his/her departure shall be indicated under the Remark column. The attendance percentage shall be calculated by dividing the number of meetings he/she attended by the number of meetings held.

(2) Before the end of the fiscal year, if a member is reelected, both the incoming member and the outgoing member shall be indicated, with their names, whether newly elected or reelected, and the election date filled in under the Remark column. The attendance percentage (%) shall be calculated by dividing the number of meetings he/she attended by the number of meetings held.

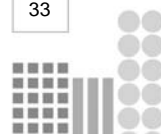


(5) Fulfillment of social responsibility:

| Item   | Operation  | Discrepancies between the way in which the Company fulfills its social responsibility and the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons behind the discrepancies |
|--|--|--|
| <p>A. Ensuring implementation of corporate governance</p> <p>(1) The Company drafts its social responsibility policy or system and reviews its implementation.</p> <p>(2) Operation of units dedicated to the promotion of corporate responsibility.</p> <p>(3) Periodically providing directors, supervisors, and employees with corporate ethics training, linking the training with employee performance review, and establishing a clear and effective reward and disciplinary system.</p>   | <p>(1) The Company's various subsidiaries have their respective rules and regulations governing the fulfillment of corporate social responsibility.</p> <p>(2) The Headquarters and plants jointly promote and implement corporate social responsibility.</p> <p>(3) The Company's Articles of Association contain provisions governing corporate ethics and the relevant review, reward, and disciplinary systems.</p>  | <p>In line with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.</p>   |
| <p>B. Developing a sustainable environment</p> <p>(1) The Company is dedicated to raising the efficiency of utilizing various resources and uses renewable materials that have relatively low impact on the environment.</p> <p>(2) Creating a suitable environmental management system based on the characteristics of the industry the Company is in.</p> <p>(3) Establishing a dedicated environment unit or designating dedicated environment personnel to safeguard the environment.</p> <p>(4) Paying attention to the impact climate change has on the Company's operations, establishing energy-saving, greenhouse gases reduction strategies.</p> | <p>(1) The Company has successfully developed green cable plastic and cable products. In 2013, Walsin Lihwa's 600V PVC electric wire products obtained SGS carbon footprint certification, becoming Taiwan's first company whose 600V PVC wire products had obtained carbon footprint certification. Various plants actively promote energy-saving in the office, recycling of resources, and boost employee education.</p> <p>(2) Head offices and various plants have complied with government environment management regulations. The Company's Xinzhuang, Yangmei, and Yanshui plants have been ISO14000-certified for many years.</p> <p>(3) Head offices and various plants have established labor safety committees and various plants have established dedicated safety management units.</p> <p>(4) The Company has complied with the Air Pollution Control Act announced by the Environmental Protection Administration and reduced polluted air that is released into the atmosphere.</p> | <p>In line with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.</p>   |
| <p>C. Safeguarding public welfare</p> <p>(1) The Company observes relevant labor regulations and upholds internationally recognized basic labor rights. The Company safeguards employees' legal rights and interests, adopts an equal employment policy, and establishes adequate management methods and procedures and implements them.</p> <p>(2) The Company provides employees with a safe and healthy work environment and periodically provides employees with safety training.</p> <p>(3) The Company has established mechanisms for periodically communicating with employees, and informing them operating changes that</p>                       | <p>(1) The Company complies with relevant labor regulations, safeguard employee rights and interests. It established a trade union in 1976 and has been holding periodic labor-management meetings ever since.</p> <p>(2) The Company has a safety management organization and management personnel, has established safety work guidelines, standards for the safe operation of machinery and equipment, and periodically inspects various machines and relevant training in an effort to provide employees with safety training and health examinations. In addition, workshops are held periodically to share safety knowledge with employees.</p> <p>(3) The Company provides employees with a portal site (intranet communication platform), which is updated twice each month, informing employees of major events and periodically holding</p>  | <p>In line with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.</p>   |



| Item   | Operation   | Discrepancies between the way in which the Company fulfills its social responsibility and the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons behind the discrepancies |
|--|---|--|
| <p>may have a major impact by reasonable means.</p> <p>(4) The Company has established a consumer rights policy made it known to the public, and provides consumers with a transparent and effective procedure for filing complaints.</p> <p>(5) The Company works with suppliers to jointly raise corporate social responsibility.</p> <p>(6) The Company participates in community development charitable events through commercial events, donations, volunteer services and other free professional services.</p>  | <p>communication-related events between labor and management. Additionally, a Company mailbox has been in place to provide an additional labor-management communication channel.</p> <p>(4) The Company's products are not end-user products and therefore it does not have direct contact with consumers.</p> <p>(5) The Company encourages suppliers to take part in corporate social responsibility-related events.</p> <p>(6) The Company has long cared about society and paid attention to the community in which it is located. For a long time, the Company has donated to neighboring primary schools and charitable organizations: Taiwan Fund for Children and Families, World Vision. The Company held the "Little Helper of Love" volunteer event and worked with Children Are Us Bakery, inviting employees and their family members to help persons suffering from Downs syndrome. For three consecutive years, the Company at the end of each year held an event and mobilized employees to collect resources from across the country and donate them to the Five Way House in Hualien.</p> |  |
| <p>D. Improved Information Disclosure</p> <p>(1) The method the Company uses to disclose important and reliable corporate social responsibility-related information.</p> <p>(2) The Company prepares corporate social responsibility reports to disclose the status of how it fulfills its corporate social responsibility.</p>  | <p>(1) The Company discloses its corporate social responsibility-related information on its website and in its annual reports.</p> <p>(2) The Company discloses its corporate social responsibility in its annual reports and on its website.</p>   | <p>In line with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.</p>   |
| <p>E. If the Company has drafted its corporate social responsibility guidelines pursuant to the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies," please indicate the differences between what it has done and the guidelines: The Company has not drafted its corporate social responsibility guidelines.</p>  |   |  |
| <p>F. Other important information that is helpful for understanding how the Company fulfills its corporate social responsibility (e.g. the systems, measures and fulfillment of environmental protection, social participation, social contribution, social service, consumer rights, human rights, safety and other social responsibility activities):</p> <p>1. With regard to developing a sustainable environment, please refer to "Operating Status, Environmental Protection Expenditure Status" of the annual report.</p> <p>2. With regard to the Company observing relevant labor regulations and safeguarding the lawful rights and interests of its employees, please refer to "Operating Status, Labor-Management Relations" of the annual report.</p> |   |  |
| <p>G. The Company shall indicate whether its products or corporate social responsibility report has been certified by relevant institutions:<br/>The Company has not prepared its corporate social responsibility report.</p>  |   |  |

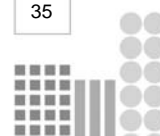


(6)The status of the Company fulfilling its honest operation promise and the measures it has taken:

| Item   | Operation   | Discrepancies between the way the Company is governed and the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and the reasons behind the discrepancies  |
|--|---|--|
| <p>A. Establishing ethical corporate management best practice principles and plans</p> <p>(1) The Company, in its regulations and external documents, indicate its ethical management policy and the status of implementation by the Board and the management.</p> <p>(2) Establishment of precautions against unethical behavior and the operating procedure, behavior guidelines, and training for the precautions.</p> <p>(3) When establishing precautions against unethical behavior, measures against business activities more likely to be exposed to unethical behavior shall be taken to prevent bribes and the provision of illegal political contributions.</p> | <p>(1) The Company has always adopted an ethical operating principle, abided by laws and regulations, enforced corporate governance, and fulfilled corporate responsibility. The "Regulations Governing the Holding of Board Meetings" clearly indicates the system of avoiding conflicts of interests, the management has also promised to rigorously enforce and oversee the implementation of an ethical business policy.</p> <p>(2) In its training for new recruits, the Company emphatically states its ethical business policy and promotes a common value system through an internal communication platform in an effort to encourage employees to maintain ethical behavior. Additionally, the "Employee Code of Conduct" has been drafted to encourage employees to be honest when dealing with customers, suppliers, and investors.</p> <p>(3) The Company has drafted the "Regulations Governing the Handling of Business by Employees," stipulating that when performing their duties, employees shall not accept bribes or other inadequate benefits from companies, customers, competitors, and suppliers, or bribe others.</p>  | <p>(1) None.</p> <p>(2) None.</p> <p>(3) None.</p>   |
| <p>B. Ensuring honest business practice</p> <p>(1) The Company shall avoid doing business with businesses having had a dishonest record and include provisions of honest behavior in business contracts.</p> <p>(2) Operation of the Company's unit dedicated to the promotion of honest business practice and the oversight by the Board.</p> <p>(3) Establishing a policy that prevents conflicts of interests and providing</p>   | <p>(1) Avoiding doing business with companies having a dishonest business record:</p> <p>(1) When selecting a business partner, its past trading timing and credit record shall be reviewed. When inviting bids, suppliers shall be informed of the principle of a fair, open, and transparent supplier selection policy.</p> <p>(2) Sales objects: Except for procurement projects from the government, the Company shall track the long-term credit information of distributors, with the reputation of new distributors obtained through credit reference agencies and other companies in the industry.</p> <p>2. Including honest practice provisions in contracts:</p> <p>(1) Purchase contracts: Including simplified clauses in contracts.</p> <p>(2) Sales contracts: For sales to the government, the government's provisions must be abided by. For distributors and other customers, certain credit reference shall be obtained and there is certain security agreements. Generally speaking, there are only simplified clauses, without comprehensive, concrete honest practice clauses. Various clauses are included depending on the size of the contract.</p> <p>(2) Through its auditing function, the Board examines the establishment of an honest practice policy and its implementation. The Board shall submit a report in board meetings if there are irregularities.</p> <p>(3) The Company has the "Regulations Governing the Handling of Business by Employees" in</p> | <p>(1) Due to the varying degrees of complexity of business activities, the Company has not yet included honest practice clauses in contracts. In the future, it shall endeavor to meet Article 9 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Articles 19 and 20 of "Honest Business Practice Procedure and Guidelines."</p> <p>(2) None.</p> <p>(3) None.</p> |

| Item   | Operation   | Discrepancies between the way the Company is governed and the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and the reasons behind the discrepancies |
|--|---|---|
| adequate communication channels.<br><br>(4) Operation of an effective accounting system and internal control system established to ensure honest business practice and the auditing operation of internal auditors.  | place, which stipulates employees' obligations, interactions with customers, external business activities, cash receipts and payments, avoidance of conflicts of interests, and management of confidential information. The Company has a contact channel on its website that provides a means for filing complaints about violation of honest business practice, a mailbox also exists on the employee portal site, thus providing internal and external personnel with a means to make suggestions to the Company. Information received shall be handled by the Auditing Office.<br><br>(4) The Auditing Office investigates compliance pursuant to the internal control system and relevant regulations, and periodically briefs the Board on the results at its meetings. | (4) None.   |
| C. Establishing complaint-filing channels and the disciplinary system.   | The Company's website provides ways to file complaints about violations of honest business practice and there is also a mailbox on the employee portal site, providing internal and external personnel with a means to file complaints. If violations are verified, disciplinary action shall be taken. The Company's established regulations indicate penalties to be imposed pursuant to "Regulations Governing Employee Rewards and Penalties." Those who break government laws and regulations shall be dealt with in accordance with the law.  | None.   |
| D. Improved Information Disclosure<br>(1) The Company sets up a website to disclose information on honest business practice.<br><br>(2) The Company takes other measures to disclose information (e.g. setting up an English-language website, designating persons dedicated to the collection and disclosure of information and placing it on the Company's website).   | (1) With high moral standards and effective delegation mechanisms, the Company has disclosed relevant information in the corporate governance unit and in the internal auditing, the Board, important regulations sub-units of the Company's website.<br><br>(2) The Company's website has traditional Chinese, English, and simplified Chinese versions. There is a standard operating procedure for disclosing internal information so that information disclosure is based and meets just, accurate, complete, and timely principles.  | In line with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies   |
| E. If the Company has drafted its own honest business practice guidelines pursuant to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies," please indicate the differences between what it has done and the guidelines: Refer to the above for the differences.   |   |   |
| F. Other important information helpful for understanding the Company's honest business practice (e.g. the Company announces its determination and policy to conduct business honestly, invites its business partners to the training it provides, and reviews and revises its honest business practice guidelines):<br>The Company's honest business practice and future objectives as explained in 2(1). In the future, the Company will (1) announce to companies it discusses business or signs contracts with that it will honestly do business and will not do business with companies that have a dishonest business record, (2) abide by the honest business practice policy and if the counterparty to a business dealing is involved in dishonest business behavior, it will at any time terminate the contract they have signed and include this clause in the contract. |   |   |

(7) If the Company has drafted corporate governance guidelines and relevant regulations, it shall disclose ways by which they may be obtained: The Company has not drafted corporate governance guidelines and relevant regulations.



## (8) Important information helpful for improving understanding of the governance of the Company:

## 1. Further education on corporate governance directors and supervisors have received in the most recent year:

December 31, 2013

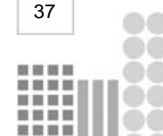
| Position                                    | Name             | Period     |            | Organized by                                   | Course name   | Number of hours |
|---|------------------|------------|------------|--|---|-----------------|
|   |                  | Begins on  | Ends on    |  |   |                 |
| Chairman                                    | Chiao, Yu-Lon    | 2013/05/14 | 2013/05/14 | Taiwan Corporate Governance Association        | How Directors and Supervisors Read Financial Statements Prepared in Accordance with IFRSs   | 3 hr            |
|   |                  | 2013/12/19 | 2013/12/19 | Securities & Futures Institute                 | How to Use Financial Information to Make Business Administration Decisions  | 3 hr            |
| Vice Chairman                               | Chiao, Yu-Cheng  | 2013/10/23 | 2013/10/23 | Accounting Research and Development Foundation | Legal Responsibilities and Risks Enterprises Face under Taiwan's Securities and Exchange Act  | 3 hr            |
|   |                  | 2013/12/11 | 2013/12/11 | Taiwan Corporate Governance Association        | The Outlook for the Economy in 2014   | 3 hr            |
| Director                                    | Chiao, Yu-Heng   | 2013/05/14 | 2013/05/14 | Taiwan Corporate Governance Association        | How Directors and Supervisors Read Financial Statements Prepared in Accordance with IFRSs   | 3 hr            |
| Director                                    | Chiao, Yu-Hwei   | 2013/12/19 | 2013/12/19 | Securities & Futures Institute                 | How to Use Financial Information to Make Business Administration Decisions  | 3 hr            |
| Director                                    | Zheng, Hui-Ming  | 2013/10/08 | 2013/10/08 | Taiwan Corporate Governance Association        | Form Corporate Governance to Corporate Social Responsibility/Corporate Sustainability   | 3 hr            |
|   |                  | 2013/11/01 | 2013/11/01 | Taiwan Corporate Governance Association        | From Commercial Guidelines and International Business Precedents -- Exploring the Duties of Directors and Supervisors in Transactions with Interested Parties and Evaluation of the Performance of the Board of Directors | 6 hr            |
|   |                  | 2013/12/19 | 2013/12/19 | Securities & Futures Institute                 | How to Use Financial Information to Make Business Administration Decisions  | 3 hr            |
| Director                                    | Tai, Yi-Yi       | 2013/05/14 | 2013/05/14 | Taiwan Corporate Governance Association        | How Directors and Supervisors Read Financial Statements Prepared in Accordance with IFRSs   | 3 hr            |
|   |                  | 2013/12/19 | 2013/12/19 | Securities & Futures Institute                 | How to Use Financial Information to Make Business Administration Decisions  | 3 hr            |
| Director                                    | Chang, Wen-Chung | 2013/12/19 | 2013/12/19 | Securities & Futures Institute                 | How to Use Financial Information to Make Business Administration Decisions  | 3 hr            |
| Corporate Director Rep.                     | Hong, Wu-Shung   | 2013/12/19 | 2013/12/19 | Securities & Futures Institute                 | How to Use Financial Information to Make Business Administration Decisions  | 3 hr            |
| Corporate Director Rep.                     | Lin, Wang- Tsai  | 2013/05/14 | 2013/05/14 | Taiwan Corporate Governance Association        | How Directors and Supervisors Read Financial Statements Prepared in Accordance with IFRSs   | 3 hr            |
|   |                  | 2013/12/11 | 2013/12/11 | Taiwan Corporate Governance Association        | The Outlook for the Economy in 2014   | 3 hr            |
|   |                  | 2013/12/19 | 2013/12/19 | Securities & Futures Institute                 | How to Use Financial Information to Make Business Administration Decisions  | 3 hr            |
| Supervisor                                  | Chu, Wen-Yuan    | 2013/05/14 | 2013/05/14 | Taiwan Corporate Governance Association        | How Directors and Supervisors Read Financial Statements Prepared in Accordance with IFRSs   | 3 hr            |
|   |                  | 2013/05/27 | 2013/05/27 | Taiwan Stock Exchange                          | Workshop on the Functions of Independent Directors of Exchange-Listed Companies 2013  | 3 hr            |
| Representative of Institutional Supervisors | Chu, Yeu-Yuh     | 2013/05/14 | 2013/05/14 | Taiwan Corporate Governance Association        | How Directors and Supervisors Read Financial Statements Prepared in Accordance with IFRSs   | 3 hr            |
|   |                  | 2013/05/17 | 2013/05/17 | Taiwan Corporate Governance Association        | Cooperation between the Board of Directors and the Management -- Operation of the Board of Directors and Utilization of Supervisors' Knowledge  | 3 hr            |
|   |                  | 2013/12/11 | 2013/12/11 | Taiwan Corporate Governance Association        | The Outlook for the Economy in 2014   | 3 hr            |
|   |                  | 2013/12/19 | 2013/12/19 | Securities & Futures Institute                 | How to Use Financial Information to Make Business Administration Decisions  | 3 hr            |

2. For the attendance of Board meetings by Directors and Supervisors, please refer to "Corporate Governance Report. 3 Status of Corporate Governance (1), (2)."

3. Further education in corporate governance participated by the Company's managers (including President, Vice Presidents, accounting head, financial head, etc.) in the most recent year:

December 31, 2013

| Position                        | Name             | Period     |            | Organized by                                   | Course name   | Number of hours |
|---------------------------------|------------------|------------|------------|--|---|-----------------|
|                                 |                  | Begins on  | Ends on    |  |   |                 |
| CEO                             | Chiao, Yu-Lon    | 2013/05/14 | 2013/05/14 | Taiwan Corporate Governance Association        | How Directors and Supervisors Read Financial Statements Prepared in Accordance with IFRSs   | 3 hr            |
|                                 |                  | 2013/12/19 | 2013/12/19 | Securities & Futures Institute                 | How to Use Financial Information to Make Business Administration Decisions  | 3 hr            |
| President                       | Zheng, Hui-Ming  | 2013/10/08 | 2013/10/08 | Taiwan Corporate Governance Association        | Form Corporate Governance to Corporate Social Responsibility/Corporate Sustainability   | 3 hr            |
|                                 |                  | 2013/11/01 | 2013/11/01 | Taiwan Corporate Governance Association        | From Commercial Guidelines and International Business Precedents -- Exploring the Duties of Directors and Supervisors in Transactions with Interested Parties and Evaluation of the Performance of the Board of Directors | 6 hr            |
|                                 |                  | 2013/12/19 | 2013/12/19 | Securities & Futures Institute                 | How to Use Financial Information to Make Business Administration Decisions  | 3 hr            |
| President of Wire & Cable BG    | Chiao, Yu-Hwei   | 2013/12/19 | 2013/12/19 | Securities & Futures Institute                 | How to Use Financial Information to Make Business Administration Decisions  | 3 hr            |
| President of Specialty Steel BG | Chang, Wen-Chung | 2013/12/19 | 2013/12/19 | Securities & Futures Institute                 | How to Use Financial Information to Make Business Administration Decisions  | 3 hr            |
| Chief of Staff                  | Pan, Wen-Hu      | 2013/05/14 | 2013/05/14 | Taiwan Corporate Governance Association        | How Directors and Supervisors Read Financial Statements Prepared in Accordance with IFRSs   | 3 hr            |
|                                 |                  | 2013/12/19 | 2013/12/19 | Securities & Futures Institute                 | How to Use Financial Information to Make Business Administration Decisions  | 3 hr            |
| Accounting Dept. Head           | Wu, Chin-Sheng   | 2013/05/14 | 2013/05/14 | Taiwan Corporate Governance Association        | How Directors and Supervisors Read Financial Statements Prepared in Accordance with IFRSs   | 3 hr            |
|                                 |                  | 2013/09/16 | 2013/09/17 | Accounting Research and Development Foundation | Further Education for Accounting Heads of Issuers, Securities Firms, and Securities Exchanges   | 12 hr           |
|                                 |                  | 2013/12/19 | 2013/12/19 | Securities & Futures Institute                 | How to Use Financial Information to Make Business Administration Decisions  | 3 hr            |
| Financial Dept. Head            | Wen, Ter-Chen    | 2013/05/14 | 2013/05/14 | Taiwan Corporate Governance Association        | How Directors and Supervisors Read Financial Statements Prepared in Accordance with IFRSs   | 3 hr            |
|                                 |                  | 2013/12/19 | 2013/12/19 | Securities & Futures Institute                 | How to Use Financial Information to Make Business Administration Decisions  | 3 hr            |



(9) Status of implementation of the internal control system

1. Statement on Internal Control

Walsin Lihwa Corporation  
Statement on Internal Control

Date: March 5, 2014

The Company hereby makes the following statement about its internal control system for year 2013 based on its self-examination:

1. The Company is aware that it is the Board and managers' responsibility to establish, implement, and maintain an internal control system and the Company has set up such a system. The purpose of the system is to ensure the effectiveness and efficiency (including profitability, performance, and protection of assets) of the Company's operations, the reliability of its financial statements, and compliance with relevant laws and regulations.
2. Internal control systems have their inherent limitations. No matter how well they are designed an effective internal control system can only reasonably ensure achievement of the above three objectives. In addition, an internal control system's effectiveness may change as circumstances change. Nevertheless, self-supervision mechanisms have been built into the Company's internal control system. Once a deficiency is identified, the Company will immediately take corrective action.
3. The Company determines whether the design and implementation of its internal control system is effective by referring to the criteria stated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter the "Regulations"). The criteria stated in the Regulations divides internal control systems into five components: 1. control environment, 2. risk evaluation, 3. control operation, 4. information and communication, and 5. supervision, based on the process by which control is managed. Each component consists of several items. Please refer to the Regulations for the above items.
4. The Company uses the above criteria to determine whether the design and implementation of its internal control system is effective.
5. After a test of the Company's internal control system based on the above criteria, the Company is of the opinion that, as of December 31, 2013, its internal control system (including supervision and management of subsidiaries) is effective and therefore can reasonably ensure achievement of the above objectives, which include awareness of the degree to which operating results and goals are achieved, reliability of financial reporting, and compliance with the law.
6. This statement shall become a principal part of the Company's annual report and prospectus and be made available to the public. If the content of the above is untruthful or certain important information is withheld, the Company shall be held liable pursuant to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement has been approved on March 5, 2014 by the Board, with none of the nine directors present opposing it.

Walsin Lihwa Corporation

Chairman : Chiao,  
Yu-Lon



Signature

President : Zheng  
Hui-Ming



Signature

2. If CPAs are engaged to review the internal control system, their report shall be disclosed: None.

(10) In the most recent year, as of the day the annual report was prepared, the Company and its personnel had been penalized according to the law, penalties had been handed out to the Company's personnel for having violated the internal control system, major deficiencies and corrective action: None.

(11) In the most recent year, resolutions passed at the AGM and Board meetings as of the day the annual report was prepared.

Resolutions passed at the 2013 AGM and implementation

Matters recognized and discussed

Motion No. 1 (proposed by the Board of Directors)

To accept the Company's 2012 Business Report, Balance Sheet, Consolidated Profit & Loss Statement, Changes in Equity and Cash Flow Statement.

Resolution: The statements were accepted with 1,919,748,599 rights (including rights exercised electronically) or 77.15% from attending shareholders voting in favor.

Implementation: None.

Motion No. 2 (proposed by the Board of Directors)

To accept the Company's 2012 Loss Offset Statement.

Resolution: The statement was accepted with 1,919,754,529 rights (including rights exercised electronically) or 77.15% from attending shareholders voting in favor.

Implementation: None.

Motion No. 3 (proposed by the Board of Directors)

Subject: The Company plans to issue common shares through cash capital increase with privately raised funds and/or issue privately raised global depositary receipts (hereinafter "privately raised GDRs") through cash capital increase in an effort to raise funds.

Resolution: Passed with 1,431,779,601 rights (including rights exercised electronically) or 57.54% from attending shareholders voting in favor.

Implementation: None.

Motion No. 4 (proposed by the Board of Directors)

To discuss and approve revision of the company's Regulations for Acquisition or Disposal of Assets.

Resolution: Revision approved with 1,919,678,804 rights (including rights exercised electronically) or 77.15% from attending shareholders voting in favor.

Implementation: The relevant affairs shall be handled pursuant to the revised Regulations.

Motion No. 5 (proposed by the Board of Directors)

Subject: It is proposed to revise the regulations governing the lending of funds.

Resolution: Passed with 1,919,685,043 rights (including rights exercised electronically) or 77.15% from attending shareholders voting in favor.

Implementation: The relevant affairs shall be handled pursuant to the revised Regulations.

Motion No. 6 (proposed by the Board of Directors)

Subject: Lifting the non-competition ban on directors imposed by Article 209 of the Company Act.

Resolution: The motion was passed with 1,867,136,709 rights (including rights exercised electronically) or 76.65%, after deducting those retained by shareholders who could not vote due to conflicts of interests, from attending shareholders voting in favor.

Implementation: None.

Motion No. 7 (proposed by the Board of Directors)

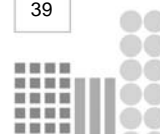
Subject: It is proposed to modify the regulations governing the holding of the AGM with the current regulations abolished.

Resolution: The statements were accepted with 1,919,706,950 rights (including rights exercised electronically) or 77.15% from attending shareholders voting in favor.

Implementation: The relevant affairs shall be handled pursuant to the revised regulations.

Important resolutions passed at 2013 Board meetings as of the day the annual reports were prepared

Minutes of the 21st meeting of the 16th Board (excerpt)



Time: 10 a.m., April 29, 2013

Matters discussed

Motion No. 1

Proposed by the Finance Division

Subject: The Company plans to issue common shares through cash capital increase with privately raised funds and/or issue privately raised global depository receipts through cash capital increase in an effort to raise funds.

Resolution: After a thorough discussion, the motion was passed with the proviso that no more than 400 million common shares will be issued, with dilution of the current shareholders' holdings adjusted to 9.96%. (No directors opposed this motion)

Motion No. 3

Proposed by the Shareholders Service Office

Subject: Adding additional motions to the agenda of the 2013 AGM.

Resolution: The motion was passed (No directors opposed this motion).

Minutes of the 22nd meeting of the 16th Board (excerpt)

Time: 4 p.m., May 14, 2013

Matters discussed

Motion No. 2

Proposed by the Shareholders Service Office

Subject: Deciding on the capital decrease date of the 19th share buyback.

Resolution: The motion was passed (No directors opposed this motion).

Minutes of the 23rd meeting of the 16th Board (excerpt)

Time: 3:30 p.m., July 3, 2013

Matters discussed

Motion No. 1

Proposed by the Specialty Steel BG

Subject: The Company plans to cooperate with CITIC Pacific to invest RMB250,821,198 in Wuxi Xingcheng Walsin Steel Products Co., Ltd. through Concord Industries Ltd.

Resolution: The motion was passed (No directors opposed this motion).

Minutes of the 24th meeting of the 16th Board (excerpt)

Time: 3:30 p.m., August 12, 2013

Matters discussed

Motion No. 3

Proposed by the Finance Division

Subject: The Company plans to lend US\$67 million or its RMB equivalent to a subsidiary in China for one year.

Resolution: The motion was passed (No directors opposed this motion).

Motion No. 4

Proposed by Human Resources Div.

Subject: The Company is planning to replace its audit chief.

Resolution: The motion was passed (No directors opposed this motion).

Minutes of the 25th meeting of the 16th Board (excerpt)

Time: 10 a.m., November 13, 2013

Matters discussed

Motion No. 3

Proposed by the Accounting Div.

Subject: Transferring a portion of the shares the Company owns of Chin-Xin Investment Co., Ltd. to Winbond Electronics Corporation, an interested party.

Resolution: The resolution was passed (as Winbond Electronics Corporation was one of the parties to the transaction, Director Chiao, Yu-Cheng neither participated in the discussion nor voted on the motion)



to avoid conflicts of interest; no directors opposed this motion).

Motion No. 4 Proposed by the Accounting Div.

Subject: Liquidating Changzhou Wujin NSL Co., Ltd, a China enterprise invested in by the Company.

Resolution: The motion was passed (No directors opposed this motion).

Motion No. 6 Proposed by the Accounting Div.

Subject: The Company plans to establish a new investment holdings company in China.

Resolution: For flexibility reasons, the Company is advised to transfer, in several batches, shares of Changshu Walsin Specialty Steel Co., Ltd it retains or other assets the Company owns in China to Changzhou Investment Corporation based on the times at which the funds are available.(No directors opposed this motion.)

Motion No. 7 Proposed by the Accounting Div.

Subject: It is proposed to sell 44.89% of the Company's holdings in Walsin (China) Investment Co., Ltd through Walsin China Investment Co., Ltd., a subsidiary.

Resolution: The motion was passed (No directors opposed this motion).

Minutes of the 26th meeting of the 16th Board (excerpt)

Time: 4 p.m., December 19, 2013

Matters discussed

Motion No. 3 Proposed by the Finance Division

Subject: The Company plans to lend US\$82 million or its RMB equivalent to a subsidiary in China for one year.

Resolution: The motion was passed (No directors opposed this motion).

Motion No. 4 Proposed by the Finance Division

Subject: An overseas subsidiary plans to lend a maximum of US\$144 million to Walsin Lihwa Holdings Ltd in 2014.

Resolution: The motion was passed (No directors opposed this motion).

Minutes of the 27th meeting of the 16th Board (excerpt)

Time: 3:30 p.m., January 15, 2014

Matters discussed

Motion No. 2 Proposed by the Accounting Div.

Subject: The Company plans to fund a cash capital increase of Powertek Energy Co. with a maximum of NT\$700 million.

Resolution: The motion was passed (Mr. Lin, Wang- Tsai, the Company's director, representative of Tien Mu Investment Co. Ltd, was also a director of Powertek Energy Co. Therefore, he neither participated in the discussion nor voted on the motion to avoid conflict of interest. No directors opposed this motion.)

Minutes of the 28th meeting of the 16th Board (excerpt)

Time: 2:30 p.m., March 5, 2014

Matters discussed

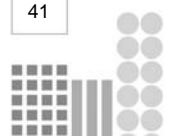
Motion No. 4 Proposed by the Accounting Div.

To accept the Company's 2013 Profit Distribution Statement.

Resolution: The motion was passed (No directors opposed this motion).

Motion No. 7 Proposed by the Accounting Div.

Subject: It is proposed to merge three subsidiaries 100% owned by the Company: Xi'an Walsin Metal Product Co., Ltd., Xi'an Lujing Technology Co., Ltd., and Xi'an Walsin Opto-electronic Limited.



Resolution: The motion was passed (No directors opposed this motion).

Motion No. 9

Proposed by the Finance Division

Subject: The Company plans to lend US\$67 million or its RMB equivalent to a subsidiary in China for one year.

Resolution: The motion was passed (No directors opposed this motion).

Motion No. 10

Proposed by Human Resources Div.

Subject: To boost employee loyalty it is proposed to buy back (for the 20th time) 30 million Company shares and transfer their ownership within three years.

Resolution: The motion was passed (No directors opposed this motion).

Motion No. 14

Proposed by the Legal Office

Subject: Lifting the non-competition ban on managers.

Resolution: The motion was passed. Director Mr. Chang, Wen-Chung neither discussed nor voted on the motion pursuant to Article 206 of the Company Act and the Regulations Governing the Holding of Board Meetings to avoid conflict of interests. No directors opposed this motion.

Motion No. 15

Proposed by the Shareholders Service Office

Subject: Holding the 2014 AGM on a designated date.

Resolution: The motion was passed (No directors opposed this motion).

Motion No. 16

Proposed by the Shareholders Service Office

Subject: The Company plans to appoint Mr. Chen, Shiang-Chung as a member of the Compensation Committee.

Resolution: The motion was passed (No directors opposed this motion).

(12) In the most recent year, as of the day the annual report was prepared, directors or supervisors holding different opinions about important resolutions passed at board meetings that have been written down: None.

(13) In the most recent year, as of the day the annual report was prepared, any chairman, President, accounting head, finance head, internal audit head, and R&D head who has resigned or been discharged:

April 12, 2014

| Position               | Name       | Date assuming office | Date discharged | Reason for resignation or discharge |
|------------------------|------------|----------------------|-----------------|-------------------------------------|
| Internal audit manager | Lu Yi-Ling | 2010/5/1             | 2013/8/12       | Reassignment                        |

#### 4. Information on CPAs' fees

##### (1) CPA fee schedule

| Name of CPA firm                 | CPA           |            | Period of the Audit                | Remark   |
|----------------------------------|---------------|------------|------------------------------------|--|
| Deloitte Touche Tohmatsu Limited | Chiu, Ming-Yu | Kenny Hong | January 1, 2013-September 30, 2013 | Internal adjustment of the certifying CPA firm |
| Deloitte Touche Tohmatsu Limited | Yu, Hung-Bin  | Kenny Hong | October 1, 2013-December 31, 2013  |  |

Unit: NT\$1,000

| Fee schedule |                             | Item | Audit fees | Non-audit fees | Total  |
|--------------|-----------------------------|------|------------|----------------|--------|
| 1            | Less than NT\$2,000,000     |      |            | 1,227          | 1,227  |
| 2            | NT\$2,000,000-NT\$3,999,999 |      |            |                |        |
| 3            | NT\$4,000,000-NT\$5,999,999 |      |            |                |        |
| 4            | NT\$6,000,000-NT\$7,999,999 |      |            |                |        |
| 5            | NT\$8,000,000-NT\$9,999,999 |      |            |                |        |
| 6            | NT\$10,000,000 and over     |      | 10,050     |                | 10,050 |

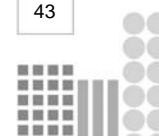
##### (2) Paying at least one-fourth of non-audit fees to the certifying CPA, the certifying CPA firm, and its affiliates:

Unit: NT\$1,000

| Name of CPA firm                 | Accountants Name | Audit fees | Non-audit fees |                       |                 |       |          | CPA audit period                   | Remark   |
|----------------------------------|------------------|------------|----------------|-----------------------|-----------------|-------|----------|------------------------------------|--|
|                                  |                  |            | System design  | Business registration | Human resources | Other | Subtotal |                                    |  |
| Deloitte Touche Tohmatsu Limited | Chiu, Ming-Yu    | 10,050     | 600            | 177                   |                 | 450   | 1,227    | January 1, 2013-September 30, 2013 | The rest are for various review reports and shareholders' attendance fees. |
|                                  | Yu, Hung-Bin     |            |                |                       |                 |       |          | October 1, 2013-December 31, 2013  |  |
|                                  | Kenny Hong       |            |                |                       |                 |       |          | January 1, 2013-December 31, 2013  |  |

##### (3) Change of CPA firm and the audit fees paid in the year of the change are less than those paid in the previous year: Not applicable.

##### (4) Audit fees paid in the current year are at least 15% less than those paid in the previous year: Not applicable.



5. Information on the replacement of CPAs:

(1) About the previous CPAs:

|  |  |   |                                    |
|--|--|---|------------------------------------|
| Date of replacement  | November 13, 2013  |   |                                    |
| Reason for the replacement and explanation   | Organizational changes of Deloitte Touche Tohmatsu Limited   |   |                                    |
| Explain whether the appointer or CPA terminates or refuses to accept appointment                   | Contracting parties  |   | Accountants                        |
|  | Situation  |   | Appointer                          |
|  | Appointee voluntarily terminates appointment   |   | N/A.                               |
|  | Refuses to accept (continued) appointment  |   | N/A.                               |
| Signing an audit report other than without reservation in the most recent two years and the reason | In 2013 and 2012, the CPAs signed a revised audit report because the opinion expressed by the CPAs adopted the audit report of other CPAs. |   |                                    |
| Do they have opinions different from the issuer?   | Yes  |   | Accounting principles or practice  |
|  |  |   | Disclosure in financial statements |
|  |  |   | Audit scope or process             |
|  |  |   | Other                              |
|  | None   | ✓ |                                    |
|  | Description  |   |                                    |
| Other disclosures  | None.  |   |                                    |

(2) About the succeeding CPAs:

|  |                                  |
|--|----------------------------------|
| Name of CPA firm   | Deloitte Touche Tohmatsu Limited |
| CPA  | Yu, Hung-Bin, Kenny Hong         |
| Date of appointment  | November 13, 2013                |
| Before appointment, consultations and results that may be reported on the accounting methods or principles on specific transactions. | None.                            |
| Succeeding CPAs' written opinions that are different from those of the previous CPAs   | None.                            |

(3) Previous CPA's letter of response: Not applicable.

6. Chairman, President, or managers responsible for financial or accounting affairs who worked for the firm to which the certifying CPA belongs or its affiliate in the most recent year: None.

7. Transfer and pledge of shares of the Chairman, supervisors, managers and shareholders holding more than 10% of the Company's shares

(1) Changes to the shares of the Chairman, supervisors, managers and shareholders holding more than 10% of the Company's shares

| Position   | Name  | 2013                            |                                    | Current year as of April 11, 2014 |                                    |
|--|---|---------------------------------|------------------------------------|-----------------------------------|------------------------------------|
|  |   | Shares held Increase (decrease) | Shares pledged Increase (decrease) | Shares held Increase (decrease)   | Shares pledged Increase (decrease) |
| Chairman (CEO)   | Chiao, Yu-Lon   | 0                               | 0                                  | 0                                 | 0                                  |
| Vice Chairman  | Chiao, Yu-Cheng   | (560,000)                       | 0                                  | 0                                 | 0                                  |
| Director   | Chiao, Yu-Heng  | (260,000)                       | 0                                  | 0                                 | 0                                  |
| Director (President of Wire & Cable BG)                    | Chiao, Yu-Hwei  | 0                               | 0                                  | 0                                 | 0                                  |
| Director (GM)  | Zheng, Hui-Ming   | 0                               | 0                                  | 100,000                           | 0                                  |
| Director   | Yang, Jih-Chang   | 0                               | 0                                  | 0                                 | 0                                  |
| Director   | Tai, Yi-Yi  | 0                               | 0                                  | 0                                 | 0                                  |
| Director (GM of Specialty Steel BG)                        | Chang, Wen-Chung  | 0                               | 0                                  | 0                                 | 0                                  |
| Director   | Chin-Xin Investment Co., Ltd Representative: Hong, Wu-Shung | 0<br>(53,000)                   | 0                                  | 0                                 | 0                                  |
| Director   | Tien Mu Investment Co. Ltd Representative: Lin, Wang-Tsai   | 0<br>0                          | 0                                  | 0                                 | 0                                  |
| Supervisor   | Chu, Wen-Yuan   | 0                               | 0                                  | 0                                 | 0                                  |
| Supervisor   | Walsin Technology Corporation Representative: Chu, Yeu-Yuh  | 0<br>0                          | 0                                  | 0                                 | 0                                  |
| President of Micro Optical-Mechanical-Electronic BG        | Hu, Ching-Jen   | 0                               | 0                                  | 0                                 | 0                                  |
| Vice President of Specialty Steel BG                       | Chen, Cheng-Chiang  | 0                               | 0                                  | 0                                 | 0                                  |
| Vice President of Specialty Steel BG                       | Chen, Juei-Lung   | 0                               | 0                                  | 0                                 | 0                                  |
| Vice President of Specialty Steel BG                       | Chen, Tien-Rong   | 0                               | 0                                  | 0                                 | 0                                  |
| Vice GM of Wire & Cable BG                                 | Cheng, Chung-Wu   | 0                               | 0                                  | 0                                 | 0                                  |
| Vice GM of Wire & Cable BG                                 | Lin, Tung-Ben   | 0                               | 0                                  | 0                                 | 0                                  |
| Vice GM of Wire & Cable BG                                 | Liu, Suy-Tao  | 0                               | 0                                  | 0                                 | 0                                  |
| Vice GM of Commerce & Real Estate BG                       | Pan, Wen-Hu (Note 1)  | 0                               | 0                                  | 0                                 | 0                                  |
| Vice GM of Commerce & Real Estate BG                       | Dong Lei (Note 2)   | 0                               | 0                                  | 0                                 | 0                                  |
| Head of Financial Dept.                                    | Wen, Ter-Chen   | 0                               | 0                                  | 0                                 | 0                                  |
| Head of Accounting Dept.                                   | Wu, Chin-Sheng  | 0                               | 0                                  | 0                                 | 0                                  |
| Shareholders who retain at least 10% of outstanding shares | None  | -                               | -                                  | -                                 | -                                  |

Note 1: Vice GM of Commerce & Real Estate BG starting on January 1, 2014.

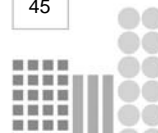
Note 2: Discharged on August 31, 2013. Change in the number of shares retained in 2013 as of the said date.

(2) Information on change in the number of shares retained

April 11, 2014

| Name           | Reason for transfer of shares | Transaction date | Counterparty  | Relationship between counterparty and the Company, directors, supervisors, and shareholders who hold more than 10% of all shares | Number of shares | Transaction price |
|----------------|-------------------------------|------------------|---------------|--|------------------|-------------------|
| Chiao, Yu-Heng | Disposal: disposition         | Apr 16, 2013     | Chiao, Zi-Rui | Son  | 260,000          | 8.42              |

(3) Share pledge information: None

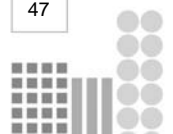


8. Information on the relationship between the top ten shareholders where their relationship is that of husband and wife, or within the second degree of kinship, as stated in Financial Accounting Standard No. 6.

April 11, 2014

| Name  | Shares held by themselves |                      | Shares held by spouse and underage children<br>Shares held by children |                      | Shares held in the name of others<br>Combined shares held |                      | Names or family name and relationship of top ten shareholders where their relationship is that of husband and wife, or within the second degree of kinship, as stated in Financial Accounting Standard No. 6. |  | Remark |
|---|---------------------------|----------------------|--|----------------------|---|----------------------|---|--|--------|
|   | Number of shares          | Percentage of shares | Number of shares   | Percentage of shares | Number of shares  | Percentage of shares | Title   | Relationship   |        |
| LGT Bank (Singapore) Investment Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch | 104,069,000               | 2.91%                | -  | -                    | -   | -                    | -   | -  | Note 2 |
| Chin-Xin Investment Co., Ltd  | 102,189,289               | 2.86%                | -  | -                    | -   | -                    | Chiao, Yu-Heng  | Second degree of kinship with the chairman of the said institutional shareholder |        |
|   |                           |                      |  |                      |   |                      | Chiao, Yu-Hwei  | Second degree of kinship with the chairman of the said institutional shareholder |        |
|   |                           |                      |  |                      |   |                      | Chiao, Yu-Chi   | Second degree of kinship with the chairman of the said institutional shareholder |        |
|   |                           |                      |  |                      |   |                      | Hong, Pai-Yung  | First degree of kinship with the chairman of the said institutional shareholder  |        |
| Chin-Xin Investment Co., Ltd<br>Representative: Chiao, Yu-Cheng                                   | 39,508,661                | 1.10%                | 20,326,866   | 0.57%                | 0   | 0.00%                | Chiao, Yu-Heng  | Second degree of kinship with the chairman of the said institutional shareholder |        |
|   |                           |                      |  |                      |   |                      | Chiao, Yu-Hwei  | Second degree of kinship with the chairman of the said institutional shareholder |        |
|   |                           |                      |  |                      |   |                      | Chiao, Yu-Chi   | Second degree of kinship with the chairman of the said institutional shareholder |        |
|   |                           |                      |  |                      |   |                      | Hong, Pai-Yung  | First degree of kinship with the chairman of the said institutional shareholder  |        |
| Winbond Electronics Corporation   | 73,000,000                | 2.04%                | -  | -                    | -   | -                    | Chiao, Yu-Heng  | Second degree of kinship with the chairman of the said institutional shareholder |        |
|   |                           |                      |  |                      |   |                      | Chiao, Yu-Hwei  | Second degree of kinship with the chairman of the said institutional shareholder |        |
|   |                           |                      |  |                      |   |                      | Chiao, Yu-Chi   | Second degree of kinship with the chairman of the said institutional shareholder |        |
|   |                           |                      |  |                      |   |                      | Hong, Pai-Yung  | First degree of kinship with the chairman of the said institutional shareholder  |        |

| Name   | Shares held by themselves |                      | Shares held by spouse and underage children<br>Shares held by children |                      | Shares held in the name of others<br>Combined shares held |                      | Names or family name and relationship of top ten shareholders where their relationship is that of husband and wife, or within the second degree of kinship, as stated in Financial Accounting Standard No. 6. |  | Remark |
|--|---------------------------|----------------------|--|----------------------|---|----------------------|---|--|--------|
|  | Number of shares          | Percentage of shares | Number of shares   | Percentage of shares | Number of shares  | Percentage of shares | Title   | Relationship   |        |
| Winbond Electronics Corporation<br>Representative: Chiao, Yu-Cheng                       | 39,508,661                | 1.10%                | 20,326,866   | 0.57%                | 0   | 0.00%                | Chiao, Yu-Heng  | Second degree of kinship with the chairman of the said institutional shareholder                       |        |
|  |                           |                      |  |                      |   |                      | Chiao, Yu-Hwei  | Second degree of kinship with the chairman of the said institutional shareholder                       |        |
|  |                           |                      |  |                      |   |                      | Chiao, Yu-Chi   | Second degree of kinship with the chairman of the said institutional shareholder                       |        |
|  |                           |                      |  |                      |   |                      | Hong, Pai-Yung  | First degree of kinship with the chairman of the said institutional shareholder                        |        |
| Vanguard Emerging Markets Stock Index Fund under the custodianship of Standard Chartered | 62,854,770                | 1.76%                | -  | -                    | -   | -                    | -   | -  | Note 2 |
| Dimensional Emerging Market Evaluation Fund under the custodianship of Citibank (Taiwan) | 59,959,412                | 1.68%                | -  | -                    | -   | -                    | -   | -  | Note 2 |
| Chiao, Yu-Heng   | 58,957,197                | 1.65%                | 15,924,266   | 0.45%                | 0   | 0.00%                | Chin-Xin Investment Co., Ltd  | Chairman of the institutional shareholder and the said shareholder are within second degree of kinship |        |
|  |                           |                      |  |                      |   |                      | Winbond Electronics Corporation   | Chairman of the institutional shareholder and the said shareholder are within second degree of kinship |        |
|  |                           |                      |  |                      |   |                      | Chiao, Yu-Hwei  | Second degree of kinship   |        |
|  |                           |                      |  |                      |   |                      | Chiao, Yu-Chi   | Second degree of kinship   |        |
|  |                           |                      |  |                      |   |                      | Hong, Pai-Yung  | First degree of kinship  |        |
| Chiao, Yu-Hwei   | 52,529,006                | 1.47%                | 0  | 0.00%                | 0   | 0.00%                | Chin-Xin Investment Co., Ltd  | Chairman of the institutional shareholder and the said shareholder are within second degree of kinship |        |
|  |                           |                      |  |                      |   |                      | Winbond Electronics Corporation   | Chairman of the institutional shareholder and the said shareholder are within second degree of kinship |        |
|  |                           |                      |  |                      |   |                      | Chiao, Yu-Heng  | Second degree of kinship   |        |
|  |                           |                      |  |                      |   |                      | Chiao, Yu-Chi   | Second degree of kinship   |        |
|  |                           |                      |  |                      |   |                      | Hong, Pai-Yung  | First degree of kinship  |        |
| Chiao, Yu-Chi  | 52,080,470                | 1.46%                | 10,260,785   | 0.29%                | 0   | 0.00%                | Chin-Xin Investment Co., Ltd  | Chairman of the institutional shareholder and the said shareholder are within second degree of kinship |        |
|  |                           |                      |  |                      |   |                      | Winbond Electronics Corporation   | Chairman of the institutional shareholder and the said shareholder are within second degree of kinship |        |
|  |                           |                      |  |                      |   |                      | Chiao, Yu-Heng  | Second degree of kinship   |        |
|  |                           |                      |  |                      |   |                      | Chiao, Yu-Hwei  | Second degree of kinship   |        |
|  |                           |                      |  |                      |   |                      | Hong, Pai-Yung  | First degree of kinship  |        |



| Name  | Shares held by themselves |                      | Shares held by spouse and underage children<br>Shares held by children |                      | Shares held in the name of others<br>Combined shares held |                      | Names or family name and relationship of top ten shareholders where their relationship is that of husband and wife, or within the second degree of kinship, as stated in Financial Accounting Standard No. 6. |   | Remark |
|---|---------------------------|----------------------|--|----------------------|---|----------------------|---|---|--------|
|   | Number of shares          | Percentage of shares | Number of shares   | Percentage of shares | Number of shares  | Percentage of shares | Title   | Relationship  |        |
| Hong, Pai-Yung  | 48,766,717                | 1.36%                | 5,602,890  | 0.16%                | 0   | 0.00%                | Chin-Xin Investment Co., Ltd  | Chairman of the institutional shareholder and the said shareholder are within first degree of kinship |        |
|   |                           |                      |  |                      |   |                      | Winbond Electronics Corporation   | Chairman of the institutional shareholder and the said shareholder are within first degree of kinship |        |
|   |                           |                      |  |                      |   |                      | Chiao, Yu-Heng  | First degree of kinship   |        |
|   |                           |                      |  |                      |   |                      | Chiao, Yu-Hwei  | First degree of kinship   |        |
| Walsin Lihwa Employee Welfare Committee                               | 47,981,637                | 1.34%                | -  | -                    | -   | -                    | -   | -   |        |
| Walsin Lihwa Employee Welfare Committee Chairperson: Zhang, Jiao-Jiao | 0                         | 0.00%                | 0  | 0.00%                | 0   | 0.00%                | -   | -   |        |

Note 1: When calculating percentage of shares held, those the Company has bought back but not yet transferred or written off as of the date on which transfer of shares is suspended due to the holding of the AGM.

Note 2: The shareholder was a foreign fund account and inquiries have been made of its representative with relevant information requested: None.



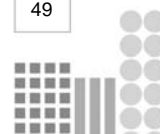
9. The number of shares of the same investee held by the Company, its directors, supervisors, managers, and which the Company controls directly or indirectly, with the combined percentage of shares calculated

December 31, 2013

Units: shares; %

| Investees<br>(Note)                                 | Invested by the Company |              | Invested by directors,<br>supervisors, managers, and said<br>investments directly or<br>indirectly control the enterprise |              | Combined investments |              |
|---|-------------------------|--------------|---|--------------|----------------------|--------------|
|   | Number of<br>shares     | Shareholding | Number of<br>shares   | Shareholding | Number of<br>shares  | Shareholding |
| Walsin Lihwa Holdings Limited                       | 148,664,834             | 100.00       | -   | -            | 148,664,834          | 100.00       |
| Walsin Specialty Steel Holdings Co., Ltd.           | 509,123,630             | 100.00       | -   | -            | 509,123,630          | 100.00       |
| Energy Pilot Limited                                | 60,670,001              | 100.00       | -   | -            | 60,670,001           | 100.00       |
| Ally Energy Limited                                 | 64,698,247              | 100.00       | -   | -            | 64,698,247           | 100.00       |
| Market Pilot Limited                                | 100,000,000             | 100.00       | -   | -            | 100,000,000          | 100.00       |
| Touch Micro-System Technology Co., Ltd.             | 2,100,000               | 100.00       | -   | -            | 2,100,000            | 100.00       |
| Walsin Opto-Electronic Technology Co., Ltd.         | 10,000,000              | 100.00       | -   | -            | 10,000,000           | 100.00       |
| Jin Cherng Business Management and Consulting Corp. | 491,625                 | 100.00       | -   | -            | 491,625              | 100.00       |
| Min Maw Precision Industry Corp.                    | 21,000,000              | 100.00       | -   | -            | 21,000,000           | 100.00       |
| Walsin-IEI Co., Ltd.                                | 23,728,623              | 98.87        | -   | -            | 23,728,623           | 98.87        |
| Jincheng Construction Co., Ltd.                     | 220,272,539             | 99.09        | 167,990   | 0.08         | 220,440,529          | 99.17        |
| Joint Success Enterprises Limited                   | 38,020,000              | 49.05        | 39,500,000  | 50.95        | 77,520,000           | 100.00       |
| Concord Venture Capital Group                       | 21,248,000              | 43.24        | -   | -            | 21,248,000           | 43.24        |
| Chin-Xin Investment Co., Ltd                        | 179,468,270             | 37.00        | 58,345,376  | 12.02        | 237,813,646          | 49.02        |
| HannStar Color Co. Ltd.                             | 47,114,093              | 33.97        | 53,241,211  | 38.39        | 100,355,304          | 72.36        |
| Concord Venture Capital Co., Ltd.                   | 26,670,699              | 26.67        | 1,934,488   | 1.93         | 28,605,187           | 28.60        |
| Winbond Electronics Corporation                     | 858,091,531             | 23.23        | 236,784,799   | 6.41         | 1,094,876,330        | 29.64        |
| Walton Advanced Engineering, Inc.                   | 109,628,376             | 21.90        | 41,471,671  | 8.28         | 151,100,047          | 30.18        |
| Walsin Technology Corporation                       | 125,001,738             | 18.11        | 21,357,435  | 3.10         | 146,359,173          | 21.21        |

Note: Equity method is employed



## IV Capital Overview

### 1. Capital and Shares

#### (1) Sources of capital property other than cash is paid by subscribers

##### 1. Sources of capital over the years

| Year/month | Issue price | Authorized capital |                | Paid-in capital  |                | Remark   |  |         |
|------------|-------------|--------------------|----------------|------------------|----------------|--|--|---------|
|            |             | Number of shares   | Amount         | Number of shares | Amount         | Sources of capital property other than cash is paid by subscribers   | Subscriptions paid with property other than cash | Other   |
| 1999/10    | 10          | 2,700,000,000      | 27,000,000,000 | 2,367,964,140    | 23,679,641,400 | Bond conversion entitlement certificates converted to common shares  | None   | None    |
| 2000/01    | 10          | 4,000,000,000      | 40,000,000,000 | 3,017,604,153    | 30,176,041,530 | Cash capital increase and bond conversion entitlement certificates converted to common shares                              | None   | Note 1  |
| 2000/03    | 10          | 4,000,000,000      | 40,000,000,000 | 3,141,768,326    | 31,417,683,260 | Bond conversion entitlement certificates converted to common shares  | None   | None    |
| 2000/07    | 10          | 4,000,000,000      | 40,000,000,000 | 3,161,263,916    | 31,612,639,160 | Bond conversion entitlement certificates converted to common shares  | None   | None    |
| 2000/10    | 10          | 4,000,000,000      | 40,000,000,000 | 3,161,378,237    | 31,613,782,370 | Bond conversion entitlement certificates converted to common shares  | None   | None    |
| 2001/08    | 10          | 6,500,000,000      | 65,000,000,000 | 3,612,976,276    | 36,129,762,760 | Capital increased by earnings recapitalization   | None   | Note 2  |
| 2002/11    | 10          | 6,500,000,000      | 65,000,000,000 | 3,512,976,276    | 35,129,762,760 | Treasury stock capital decreased by 100,000,000 shares   | None   | Note 3  |
| 2003/06    | 10          | 6,500,000,000      | 65,000,000,000 | 3,412,976,276    | 34,129,762,760 | Treasury stock capital decreased by 100,000,000 shares   | None   | Note 4  |
| 2003/11    | 10          | 6,500,000,000      | 65,000,000,000 | 3,366,067,276    | 33,660,672,760 | Treasury stock capital decreased by 46,909,000 shares  | None   | Note 5  |
| 2004/01    | 10          | 6,500,000,000      | 65,000,000,000 | 3,266,067,276    | 32,660,672,760 | Treasury stock capital decreased by 100,000,000 shares   | None   | Note 6  |
| 2004/04    | 10          | 6,500,000,000      | 65,000,000,000 | 3,174,491,276    | 31,744,912,760 | Treasury stock capital decreased by 91,576,000 shares  | None   | Note 7  |
| 2004/07    | 10          | 6,500,000,000      | 65,000,000,000 | 3,078,236,276    | 30,782,362,760 | Treasury stock capital decreased by 96,255,000 shares  | None   | Note 8  |
| 2004/08    | 10          | 6,500,000,000      | 65,000,000,000 | 3,079,012,601    | 30,790,126,010 | Bond conversion entitlement certificates converted to common shares  | None   | None    |
| 2005/05    | 10          | 6,500,000,000      | 65,000,000,000 | 3,006,294,601    | 30,062,946,010 | Treasury stock capital decreased by 72,718,000 shares  | None   | Note 9  |
| 2005/08    | 10          | 6,500,000,000      | 65,000,000,000 | 3,310,913,261    | 33,109,132,610 | Capital increased by earnings recapitalization   | None   | Note 10 |
| 2006/04    | 10          | 6,500,000,000      | 65,000,000,000 | 3,244,314,261    | 32,443,142,610 | Treasury stock capital decreased by 66,599,000 shares  | None   | Note 11 |
| 2008/11    | 10          | 6,500,000,000      | 65,000,000,000 | 3,194,314,261    | 31,943,142,610 | Treasury stock capital decreased by 50,000,000 shares  | None   | Note 12 |
| 2009/02    | 10          | 6,500,000,000      | 65,000,000,000 | 3,179,200,422    | 31,792,004,220 | Treasury stock capital decreased by 27,124,000 shares and overseas convertible bonds converted to 12,010,161 common shares | None   | Note 13 |
| 2009/09    | 10          | 6,500,000,000      | 65,000,000,000 | 3,119,200,422    | 31,192,004,220 | Treasury stock capital decreased by 60,000,000 shares  | None   | Note 14 |
| 2009/11    | 10          | 6,500,000,000      | 65,000,000,000 | 3,069,200,422    | 30,692,004,220 | Treasury stock capital decreased by 50,000,000 shares  | None   | Note 15 |
| 2010/12    | 10          | 6,500,000,000      | 65,000,000,000 | 3,609,200,422    | 36,092,004,220 | Cash capital increased by 540,000,000 shares   | None   | Note 16 |
| 2011/01    | 10          | 6,500,000,000      | 65,000,000,000 | 3,614,890,804    | 36,148,908,040 | Overseas convertible bonds converted to 5,690,382 shares   | None   | None    |
| 2011/04    | 10          | 6,500,000,000      | 65,000,000,000 | 3,616,000,258    | 36,160,002,580 | Overseas convertible bonds converted to 1,109,454 shares   | None   | None    |
| 2013/06    | 10          | 6,500,000,000      | 65,000,000,000 | 3,576,000,258    | 35,760,002,580 | Treasury stock capital decreased by 40,000,000 shares  | None   | Note 17 |

Note 1: Approval letter (1999) Tai-Cai-Zheng (1) No. 78514, dated 1999.09.17

Note 2: Approval letter (2001) Tai-Cai-Zheng (1) No. 139854, dated 2001.06.22

Note 3: Approval letter Tai-Cai-Zheng (3) No. 0910155823, dated 2002.10.16

Note 4: Approval letter Tai-Cai-Zheng (3) No. 0920110106, dated 2003.03.25

Note 5: Approval letter (2001) Tai-Cai-Zheng (3) No. 101196, dated 2001.02.08

Note 11: Approval letter Jin-Guan-Zheng (3) No. 0950105881, dated 2006.02.20

Note 12: Letter Jin-Guan-Zheng (3) No. 09700511511, dated 2008.09.24

Note 13: Letter Jin-Guan-Zheng (3) No. 0970065169, dated 2008.11.28

Note 14: Letter Jin-Guan-Zheng (Jiao) No. 0980027679, dated 2009.06.06

Note 15: Letter Jin-Guan-Zheng (Jiao) No. 0980050862, dated 2009.09.21

Note 6: Approval letter Tai-Cai-Zheng (3) No. 0920159026, dated 2003.12.15  
 Note 7: Approval letter Tai-Cai-Zheng (3) No. 0930110000, dated 2004.03.24  
 Note 8: Approval letter Tai-Cai-Zheng (3) No. 0930125152, dated 2004.06.03  
 Note 9: Approval letter Jin-Guan-Zheng (3) No. 0940110778, dated 2005.03.30  
 Note 10: Approval letter Jin-Guan-Zheng (1) No. 0940124111, dated 2005.06.16

Note 16: Letter Jin-Guan-Zheng (Fa) No. 0990051578, dated 2010.09.28  
 Note 17: Letter Jin-Guan-Zheng (Jiao) No. 0990025440, dated 2010.05.12

## 2. Type of stock

April 11, 2014

| Type of stock   | Authorized capital                     |                 |               | Remark   |
|-----------------|--|-----------------|---------------|----------|
|                 | Shares issued and outstanding (Note 1) | Unissued shares | Total         |          |
| Ordinary shares | 3,576,000,258                          | 2,923,999,742   | 6,500,000,000 | (Note 2) |

Note 1: Listed stock; including shares already repurchased but not yet transferred or cancelled.

Note 2: The Company can issue, insofar as they do not exceed NTD eight billion, share warrants, corporate bonds with warrant or special shares with warrants for up to eight hundred million shares at a face value of NTD 10 per share. They may be issued in separate tranches.

## 3. Information on shelf registration: None.

### (2) Shareholder entities

April 11, 2014

| Shareholder entity | Government agencies | Financial institutions | Other legal persons | Individual investors | Foreign institutions and foreigners | Total         |
|--------------------|---------------------|------------------------|---------------------|----------------------|-------------------------------------|---------------|
| Quantity           |                     |                        |                     |                      |                                     |               |
| Number             | 3                   | 59                     | 205                 | 157,401              | 399                                 | 158,067       |
| Shares held        | 2,977,054           | 62,066,730             | 416,289,276         | 2,032,485,633        | 1,062,181,565                       | 3,576,000,258 |
| Shareholding       | 0.08%               | 1.74%                  | 11.64%              | 56.84%               | 29.70%                              | 100%          |

Note 1: Including shares repurchased and held by the Company but not yet transferred or cancelled, as of the book closure date for the 2014 Annual Shareholders' Meeting.

Note 2: Percentage of the Company owned by mainland China-based enterprises: 0%.

### (3) Dispersion of equity ownership

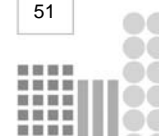
#### 1. Dispersion of equity ownership (common shares)

April 11, 2014

| Shares              | Number of shareholders | Shares held (Note) | Shareholding |
|---------------------|------------------------|--------------------|--------------|
| 1 - 999             | 56,067                 | 17,193,497         | 0.48%        |
| 1,000 ~ 5,000       | 57,781                 | 139,200,670        | 3.89%        |
| 5,001 ~ 10,000      | 19,033                 | 146,404,597        | 4.09%        |
| 10,001 ~ 15,000     | 7,087                  | 88,764,430         | 2.48%        |
| 15,001 ~ 20,000     | 4,719                  | 86,944,259         | 2.43%        |
| 20,001 ~ 30,000     | 4,377                  | 111,404,469        | 3.12%        |
| 30,001 ~ 50,000     | 3,681                  | 148,354,566        | 4.15%        |
| 50,001 ~ 100,000    | 2,800                  | 204,597,891        | 5.72%        |
| 100,001 ~ 200,000   | 1,283                  | 182,584,004        | 5.11%        |
| 200,001 ~ 400,000   | 631                    | 176,445,010        | 4.94%        |
| 400,001 ~ 600,000   | 188                    | 92,715,272         | 2.59%        |
| 600,001 ~ 800,000   | 87                     | 60,349,674         | 1.69%        |
| 800,001 - 1,000,000 | 60                     | 54,433,776         | 1.52%        |
| ≥ 1,000,001         | 273                    | 2,066,608,143      | 57.79%       |
| Total               | 158,067                | 3,576,000,258      | 100.00%      |

Note: Including shares repurchased and held by the Company but not yet transferred or cancelled, as of the book closure date for the 2014 Annual Shareholders' Meeting.

#### 2. Dispersion of equity ownership (preferred shares): None.



## (4) List of major shareholders

April 11, 2014

| Major shareholders  | Shares | Shares held | Shareholding (Note) |
|---|--------|-------------|---------------------|
| LGT Bank (Singapore) Investment Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch |        | 104,069,000 | 2.91%               |
| Chin-Xin Investment Co., Ltd  |        | 102,189,289 | 2.86%               |
| Winbond Electronics Corporation   |        | 73,000,000  | 2.04%               |
| Vanguard Emerging Markets Stock Index Fund under the custodianship of Standard Chartered          |        | 62,854,770  | 1.76%               |
| Dimensional Emerging Market Evaluation Fund under the custodianship of Citibank (Taiwan)          |        | 59,959,412  | 1.68%               |
| Chiao, Yu-Heng  |        | 58,957,197  | 1.65%               |
| Chiao, Yu-Hwei  |        | 52,529,006  | 1.47%               |
| Chiao, Yu-Chi   |        | 52,080,470  | 1.46%               |
| Hong, Pai-Yung  |        | 48,766,717  | 1.36%               |
| Walsin Lihwa Employee Welfare Committee   |        | 47,981,637  | 1.34%               |

Note: Calculation of shareholding includes shares repurchased and held by the Company but not yet transferred or cancelled, as of the book closure date for the 2014 Annual Shareholders' Meeting.

## (5) Stock price, net worth, earnings, dividends and related information

| Item                                  |   | Year            | 2012          | 2013          |
|---------------------------------------|---|-----------------|---------------|---------------|
| Per share<br>Market price<br>(Note 1) | High                                    |                 | 11.60         | 10.55         |
|                                       | Low                                     |                 | 7.18          | 8.16          |
|                                       | Average                                 |                 | 9.46          | 9.23          |
| Net worth per<br>share (Note 2)       | Basic                                   |                 | 15.94         | 16.77         |
|                                       | Diluted                                 |                 | 15.94         | 16.77         |
| Earnings per<br>share                 | Weighted average shares                 |                 | 3,557,033,557 | 3,482,328,576 |
|                                       | Earnings per share                      |                 | (0.90)        | (0.77)        |
| Dividends per<br>share                | Cash dividend (Note 3)                  |                 | -             | -             |
|                                       | Stock<br>dividend                       | Earnings        | -             | -             |
|                                       |   | Capital surplus | -             | -             |
|                                       | Accumulated unpaid<br>dividend (Note 4) |                 | -             | -             |
| Return<br>analysis                    | Price-earnings ratio (Note 5)           |                 | -             | -             |
|                                       | Price-dividend ratio (Note 6)           |                 | -             | -             |
|                                       | Cash dividend yield (Note 7)            |                 | -             | -             |

\* If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: The year's high and low market prices of common stock are provided, and the average price for the year is computed based on the year's transaction amount and volume.

Note 2: Using the number of the outstanding issued shares at year end as the basis and fill in the details based on the resolution passed by the shareholders' meeting regarding distribution in the following year.

Note 3: If it is necessary to make adjustments retroactively due to situations such as issuance of bonus shares, the earnings per share before and after the adjustments should be listed.

Note 4: If the conditions of the equity issuance require that dividends not yet distributed for the year be accumulated and paid out in a later year with positive earnings, the dividends that have been accumulated up to the current year and not yet distributed shall be disclosed separately.

Note 5: Price-earnings ratio = Year's average per share closing price / earnings per share.

Note 6: Price-dividend ratio = Year's average per share closing price / cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share / year's average per share closing price.

(6) Dividend policy and implementation status

1. Dividend policy specified in the Company's Articles of Association

The Company's share dividend policies are pursuant to the Company Act and the Company's Articles of Association, with consideration being taken with respect to the Company's capital, financial structure, profitability, share dividends obtained from investment returns, future development of the Company and industry and environmental factors. In principle share dividends should be declared on a stable basis, with profit available for distribution being retained or distributed in the form of cash share dividend or combination of shares and cash dividends, etc. in order to foster the Company's sustainable operations.

The Company offers a diverse range of products, which are at different growth stages. In order to ensure the sustainable development of the Company, its share dividend policy is one of stability. Apart from the retained profit, the distribution of available profit should be pursuant to planning for future capital expenditure and operating funds, preferably in the form of cash dividends. The Company may also declare dividends in the form of shares, provided always that the percentage of such dividends shall not exceed 70% of total dividends.

The amount of profit to be retained and the conditions, timing, amount and type of share dividends to be declared shall be pursuant to changes to economic and industry outlook. Consideration should also be given to the Company's future development needs and profitability such that they may be adjusted at the appropriate time.

2. Dividend distribution to be proposed to the shareholders' meeting: No dividend will be distributed.

3. Explanation regarding expected major changes to dividend policy: None.

(7) Effect of the proposed stock dividend (to be adopted by the Shareholders' Meeting) on operating performance and earnings per share: N/A.

(8) Employee bonus and remuneration to directors and supervisors:

1. Percentages and ranges of employee bonus and remuneration to directors and supervisors, as specified in the Company's Articles of Association

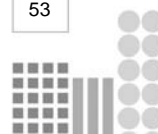
Article 28 of the Company's Articles of Association:

In addition to making up for previous years' losses in accordance with the law and payment of income tax, the Company shall first set aside 10% of its profit from annual account as a Statutory Revenue Reserve; the aforesaid shall not apply where the amount in the Statutory Revenue Reserve is equivalent to the Company's total share capital.

Where there are losses after adding the balance referred to in the preceding paragraph to undistributed profit in the preceding period or annual accounts, but there is profit available for distribution after adding the undistributed profit in the preceding periods, the Company shall make provisions for the Special Revenue Reserve in conformity with laws and regulations or orders of the competent authority. Any remaining balance may be retained in whole or in part pursuant to resolution of the Shareholders' Meeting and distributed according to the following percentages:

- a. 91.5% for shareholders' dividend.
- b. 3% for employees' bonus;
- c. 1.5% for remuneration for Directors and Supervisors.
- d. All or part of the remaining balance shall be set aside as the Special Revenue Reserve.

Where the employees' bonus referred to in the preceding paragraph is in the form of share dividends, and such dividends are paid to employees of the Company who fulfill certain conditions, such conditions or rules of distribution of dividends shall be separately determined by the Board of Directors as authorized by the Shareholders' Meeting.



2. Basis for estimating the amount of employee bonus and remuneration to directors/supervisors, basis for calculating the number of shares to be distributed as stock bonus, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: The Company does not plan to distribute dividends for fiscal year 2013; for the relevant accounting principles adopted refer to "21. Equity" under Section 4 of the Financial Overview, "Financial Statements for the Previous Year and Independent Auditors' Report."

3. Information on planned employee bonus as approved by the Board of Directors

The Company does not plan to distribute dividends for fiscal year 2013.

(a) Amount of planned employee cash bonus, stock bonus and directors' and supervisors' remuneration: N/A.

(b) Amount of planned employee stock bonus and the percentage of after-tax net profit during current period, and the proportion of total employee bonus: N/A.

(c) The effect upon imputed earnings per share that will result from distribution of the employee bonus and director/supervisor compensation: N/A.

4. The actual distribution of employee bonus and director/supervisor compensation for the previous fiscal year (with an indication of the number, value, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee bonuses and director/supervisor compensation, additionally the discrepancy, cause, and how it is treated:

(a) Amount of employee cash bonus, stock bonus and directors' and supervisors' remuneration: No dividends were distributed due to the fact that the Company posted losses in 2012.

(b) Discrepancies in recognizing employee bonus and directors' and supervisors' remuneration, their causes and measures taken to address the problems: N/A.

(c) For the relevant accounting principles adopted refer to "21. Equity (3)" under Section 4 of the Financial Overview, "Financial Statements for the Previous Year and Independent Auditors' Report."

(9) Stock buyback:

April 12, 2014

| Treasury stock in batches  | 20th Batch (period)   |
|--|---|
| Purpose of repurchase  | For transfer to employees   |
| Period of Repurchase   | March 10, 2014 to May 5, 2014<br>(Repurchase was completed in its entirety on April 11, 2014 ahead of schedule) |
| Repurchase price range   | NT\$ 9 -11 per share  |
| Type and quantity of shares repurchased  | Common stocks: 30,000,000 shares  |
| Amount of shares repurchased   | NT\$292,892,664   |
| Shares cancelled/transferred   | 0 shares  |
| Accumulated number of Company shares held  | 30,000,000 shares   |
| Accumulated number of Company shares held as a percentage of total shares issued | 0.84%   |

(10) Impact of mass transfer of equity by or change of directors, supervisors, or shareholders holding a more than 10% interest in the Company, associated risks and response measures: None.

2. Issuance of corporate bonds: None.

3. Issuance of preferred stocks: None.

#### 4. Issuance of global depository receipts (GDR)

| Item   |                                      | Date of issuance   |   |
|--|--------------------------------------|--|---|
|  |                                      | October 3, 1995  | November 9, 2010  |
| Place of issue and trading                                       |                                      | Issued globally and traded on the Luxembourg Stock Exchange, Portal and London Stock Exchange  |   |
| Total amount   |                                      | US\$121,800,000  | US\$290,313,085   |
| Offer price per unit   |                                      | US\$12.18  | US\$5.38  |
| Total units issued   |                                      | 10,000,000 units   | 53,961,540 units  |
| Source of underlying security                                    |                                      | Issuance of new common shares for cash capital increase  | Issuance of new common shares for cash capital increase |
| Underlying security  |                                      | Common stocks: 100,000,000 shares  | Common stocks: 539,615,400 shares                       |
| Rights and obligations of depository receipt holder              |                                      | Conducted in accordance with the laws of the Republic of China and with the provisions of the Depository Agreement. Refer to the Covenants of Depository Agreement for the key terms and conditions. |   |
| Trustee  |                                      | None   | None  |
| Depository bank  |                                      | Deutsche Bank  | Citibank  |
| Custodial bank   |                                      | Mega International Commercial Bank   | Citibank (Taiwan)                                       |
| Balance outstanding  |                                      | 286,769 units of global depository receipts (GDR)  |   |
| Fees incurred in issuance and the outstanding period of the GDRs |                                      | 1.Issuance expenses: Borne by issuer in its entirety<br>2.Fees incurred in outstanding period: Borne by issuer   |   |
| Covenants of Depository Agreement and Custodial agreement        |                                      | Refer to the Summary of Custodial agreement for GDR for details.   |   |
| Market price per unit<br>(Unit: USD)                             | 2013                                 | High   | 3.490   |
|  |                                      | Low  | 2.715   |
|  |                                      | Average  | 3.042   |
|  | Current year up to<br>April 12, 2014 | High   | 3.333   |
|  |                                      | Low  | 3.006   |
|  |                                      | Average  | 3.155   |

##### (1) Summary of GDR Depository Agreement

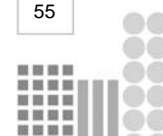
**GDR:** Each GDR represents 10 underlying common shares of Walsin Lihwa Corp.

**Transfer/settlement:** The settlement of depository receipts is conducted via the book transaction and settlement system of the Depository Trust Corporation in the U.S. (hereinafter referred to as "DTC"). In Europe, although depository receipts are held by DTC, the settlement of transactions is carried out via the settlement systems of Euroclear and Clear Stream.

**Listing:** The Company's depository receipts are traded on the Luxembourg Stock Exchange. Within the U.S., apart from OTC trading, the Company's depository receipts are also traded on Portal, designated by the Securities Industry and Financial Markets Association. In addition, they are traded on the London Stock Exchange via the IOB (International Order Book) system.

**Redemption:** Holders of depository receipts may request that the depository receipts be redeemed and receive common shares of Walsin Lihwa. The holders may also request that the depository bank sell their depository receipts' underlying Walsin Lihwa common shares. The depository bank shall then, in accordance with the provisions of the Depository Agreement, deduct all expenses associated with the sale and taxes from the amount received from the sale and remit it to the requester after converting the funds into U.S. dollars.

**Cash Dividend:** After receiving cash dividends, the depository bank shall, in accordance with the law of the Republic of China, convert the amount (in NTD) into USD, deduct fees charged by the depository bank and applicable taxes, and pay the remaining amount to the holders of depository receipts based on the percentage of the depository receipts' underlying securities owned by each holder.



**Stock dividends:** The Depository Agreement requires that stock dividends issued to holders of depository receipts shall be subject to taxes in accordance with the laws of the Republic of China, and Walsin Lihwa, the depository bank or the custodial bank shall be responsible for withholding these taxes. The depository bank shall make adjustments to the total quantity of depository receipts based on the percentage of the depository receipts' underlying securities owned by the holder, after which DTC shall adjust the number of depository receipts of the holder accordingly. If it is not possible to issue additional depository receipts, the depository bank shall allocate the cash received from selling the stock dividends to the deposit receipt holder.

**Voting rights:** The depository bank shall exercise the voting rights associated with the underlying securities of the depository receipts in accordance with the instructions of the depository receipt holder under the terms of the Depository Agreement and the laws of the Republic of China.

**Re-issuance:** Following the redemption of the depository receipts' underlying securities, the investors may, in accordance with the laws of the Republic of China as well as with the Depository Agreement and Custodial Agreement, purchase the underlying securities from the domestic centralized securities exchange market within the range of the original redeemed quantity of shares, either by themselves or via the depository bank, to be submitted to the custodial bank, or the investors may deliver the securities they already hold to the custodial bank, after which the depository bank shall re-issue the depository receipts accordingly.

Governing law: Law of the State of New York, U.S.A.

## (2) Summary of Custodial agreement for GDR

**Redemption and delivery:** When holders of depository receipts request the redemption and cancellation of their depository receipts, the depository bank shall notify the custodian bank immediately to deliver the underlying securities to the depository receipt holders, or sell the securities on the exchange if instructed to do so by the holders. The proceeds received by the custodian bank shall then be delivered to the depository bank, to be issued to the depository receipt holders.

**Confirmation of the number of shares settled monthly:** On the last business day of each month, the custodian bank shall report the quantity of underlying Walsin Lihwa securities under its custody as of the last business day of the month to the depository institution bank via telegram.

**Confirmation of the number of shares on registration benchmark date:** The custodian bank shall, at the end of the business day on each registration benchmark date, report the quantity of underlying Walsin Lihwa securities under its custody as of the last business day of the month to the depository institution.

Governing law: Law of the State of New York, U.S.A.

5. Exercise of employee stock option plan (ESOP): None.
6. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies: None.
7. Implementation of capital allocation plan: None.



## V. Business Overview

### 1. Business Activities

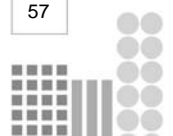
#### (1) Scope of Business

##### 1. Primary business content, primary products, and revenue ratio.

| Business Activities   | Products   | Revenue Ratio |                                  |
|---|--|---------------|----------------------------------|
|   |  | The Company   | The Company and its subsidiaries |
| Manufacture and sale of copper conductors, various electrical wires, cables, and related connection materials and accessories.  | Bare copper strips, copper wires, copper cables, power lines, and high-voltage power line accessories.   | 57.8%         | 67.4%                            |
| Smelting, rolling, processing, and sale of stainless and alloy steel.   | Billets, slabs, hot-rolled steel sheets, hot-rolled steel coils, cold-rolled steel coils, wire rod, hot-rolled bars, cold-finish bars, pierced billet, seamless tubes, stainless steel sheets, stainless steel filaments, and alloy steel billets. | 41.2%         | 28.8%                            |
| LED epitaxial wafers, manufacture and sale of chipsets, and solar power system projects<br>Electricity purchase contract income | LED epitaxial wafers, LED chipsets, and integrated services for solar power generation system projects<br>System design, procurement, and installation   | 0.1%          | 3.1%                             |
| Production site   | Housing sale, rental building sale, rent, and operating revenue  | 0.9%          | 0.7%                             |

##### 2. New products under development

| Public institutions                       | New products under development   |
|---|--|
| Wire and Cable Business                   | Electric cables used in mines<br>Flexible cables used by large cranes and automation equipment<br>Wire sets used by industrial robots  |
| Specialty steel business                  | Stainless steel 2205 tubes, rods, wire rod development projects<br>Stainless steel 17-4 rods, wire rod development projects<br>Stainless steel 430LNB wire rod development projects<br>Stainless steel 430LNbTi wire rod development projects<br>Stainless steel 310S wire rod development projects<br>Stainless steel 314 wire rod development projects<br>Stainless steel 2507 tubes, rods, wire rod development projects<br>H12 or less small hexagon nut development projects<br>Stainless steel T91, 2205, and 904L development projects<br>Stainless steel S31803, S308LSi, S30780, S309W0, S31400, S347HFG development projects<br>Quality improvements for molded products and 321 steel billets<br>Developments of the N08028, N06690, N06600, and N06625 nickel chromium iron alloy tubes<br>N08825U nickel chromium iron alloy tube development |
| Micro-Electro-Mechanical Systems Business | Large, medium, and small power LED chips<br>Unpackaged chip products<br>Vehicle light sources  |
| Real Estate Business                      | Urban mixed-use projects are the current real estate mainstream for high value-added development projects. Mixed-use projects incorporate residential, office, business, shopping, culture and entertainment, social, and recreational functions which are superimposed on top of one another to create high-density, high-value, and highly-synergy building properties. These construction projects provide comprehensive community features through mixed-use building functionality, thereby creating urban life centers that offer highly-integrated "one-stop" services and functionality.   |



## (2) Industry overview

### 1. Current trends and future outlook of the industry

#### Wire and Cable Business

##### ●Copper wire materials

The Company's copper wire materials primarily supply the copper cable demands from Taiwan, Southeast Asia, and China. Taiwan's market operations are mature with stable supply and demand. Exports to Southeast Asia have steadily increased. Due to the effects of smog, acceleration in ultra high voltage power transmission infrastructure investments, and industrial development promotions such as automobile consumption increases, demand for copper cables in China has continued to grow along with its GDP, and China has become the largest market for the copper wire business.

##### ●Electric cables

Taiwanese market: Demand in terms of civil plant construction projects remains weak. Due to the record caseload in 2013, demands from the construction industry for the first half of the year is anticipated to grow slightly. The reduced capital expenditure from the public utilities industry has caused the demand to decrease. The forecasted trend for public utilities to reduce the electricity wire demand remains unchanged.

Export markets: Under the growing basic infrastructure demands by the ten ASEAN countries, the market expectations are optimistic. The Northeast Asia market has actively opened foreign manufacturer bids in Japan. The overall demand is steady and strong.

In terms of China's market, the ultra high voltage transmission method is implemented, and the middle and eastern regions are anticipated to reduce the use of coal and replace coal power with electricity power in order to improve the smog conditions. Construction projects for ultra high voltage systems are anticipated to accelerate in 2014.

Urbanization in China is accelerating, and the level of urbanization will reach approximately 52% by 2015 and approximately 65% by 2030. Construction projects associated with urbanization will require a significant amount of mid- to low-voltage wire and cable products.

#### Specialty Steel Business

Raw materials: Demand is affected by the European sovereign debt crisis, the speed of economic growth for the various countries, and the lower-than-expected economic recoveries in Europe and North America. Due to slower economic growth conditions, emerging countries are experiencing slower growth, with China affected the most. According to the World Bureau of Metal Statistics, the global nickel market had an oversupply of 197,000 tons in 2013. This oversupply condition has hastened the decline of nickel prices, and primary raw material prices have reached their lowest points in recent years.

Supply side: The European and American steel consolidation trend continues; however, the private steel mills in China continued expand. In 2013, China has increased 6.22 million tons in steel production and 1.80 million tons in cold-finish production capacities. Long whole strip category stainless steel supply continues to grow.

Demand side: Despite the gradual recovery of the manufacturing sectors in Europe and America, their paces are slow and appeared to be in turmoil because of the effects that monetary easing by the various nations have on emerging economies. Investment in basic infrastructure is sluggish end-use application (consumer) spending power is weak, causing overall demand growth for stainless steel to decline.

Outlook for 2014 according to the IMF forecasts: The global economy has gradually improved. End demand from developed countries has strengthened since the second half of last year, which is expected to spur economic growth in developing countries. However, some areas may still have a risk of further decline. The global economic growth rate is anticipated to grow from 3.0% in 2013 to 3.7% in 2014.

China's domestic market continues to grow. However, competition among steel mills is fierce, and exports

from China will affect the stability of the stainless steel market globally.

Indonesia has implemented a ban on mineral exports, which may change the pattern of supply for the nickel pig iron market and restrict China's competitive advantage. However, China currently has sufficient nickel ore stockpile, and the impacts of Indonesia's policy will not be completely felt until after the second half of the year.

The number of international steel industry trade cases has increased. The use of anti-dumping/anti-subsidy mechanisms and the establishment of tariff barriers will pose major obstacles for the industry to maintain and develop new markets.

#### Micro-Electro-Mechanical Systems Business

##### ●Light Emitting Diodes

The benefits of new LED technology developments and the fact that various countries have begun to ban the use of incandescent bulbs has greatly stimulated the LED lighting market. The output value for the packaging market has reached US\$12.5 billion in 2013, with the annual growth rate of 14%. As the LED prices continue to drop and the LED light efficiency continues to improve each year, the acquisition cost recovery cycle has decreased. These factors has spurred the global LED light source replacement trend. Compared to 2013, global LED demand in 2014 will reach more than 68% in annual growth.

The Company's LED epitaxial wafer and chip R&D team has continued to improve the new generation MOCVD equipment technology development platform and the development of the four-inch LED products. The high-brightness products can meet the market demands and respond to market changes. The Company has invested in R&D for mid- and small-power products. In addition to the commercial lighting market, the Company has also been actively developing in the automobile light source market.

#### Real Estate Business

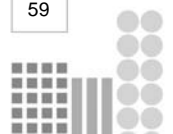
##### ●Walsin Real Estate Procurements

The Nanjing Walsin Centro is a real estate development project of the Company in Nanjing, China. The project includes office, residential, and commercial buildings. The area of construction is one million square meters located at the number 1 and 2 metro intersection in the Nanjing-Hexi area. The site is located in an excellent location and has significant development potential.

In 2013, Nanjing's economic growth rate was 11% and its per capita income was approximately RMB\$98,000, a year-over-year increase of approximately 10%. Future prospects for Nanjing's economic development are optimistic.

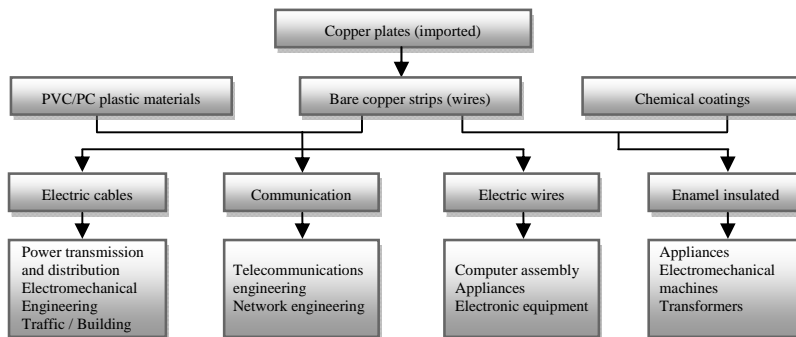
In 2013, the commercial space supply capacity has reached 1.52 million square meters and sales has reached nearly 980,000 square meters. The supply capacity has reached a new high since 2009. In terms of residential real estate transactions, there were approximately 94,000 successful transaction cases in Nanjing in 2013, with the total transaction area reaching 10.64 million square meters. Nanjing's housing supply has increased by 36% compared to 2012.

In the future, because of China's implementation of the real estate bi-directional control in an effort to maintain long-term stability in real estate development and to prevent large fluctuations; the demand for maturely-developed and well-supported housing at the heart of the city will experience long-term stable growth. Therefore, large real estate development companies should pay more attention to urban commercial real estates and their accompanying residential developments. Nanjing's commercial building transaction price trends in the future are set to remain high as a result of the large volume of commercial complexes.

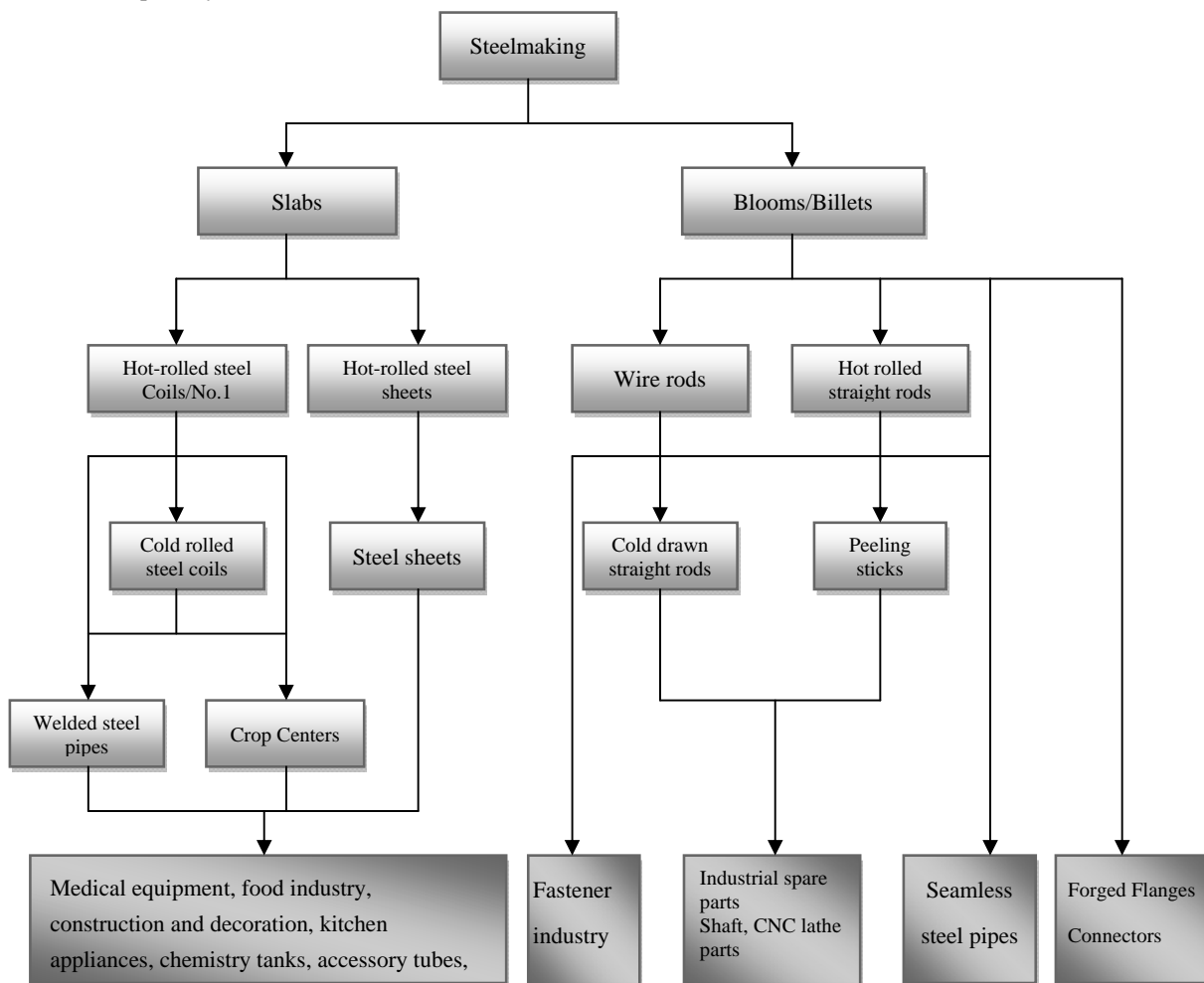


2. Relationship between up-, mid-, and down-stream suppliers in the industry's supply chain

Wire and Cable Business

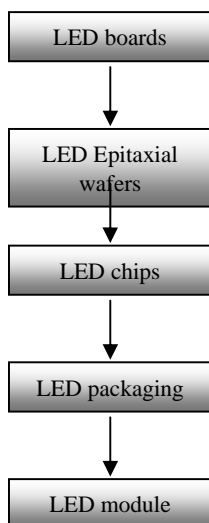


Specialty Steel Business



## Micro-Electro-Mechanical Systems Business

Industrial structure diagram for the light-emitting diode industry.



### 3. The state of the economy, industrial trends, and commodity competitions.

#### Wire and Cable Business

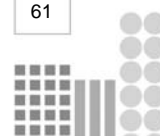
##### ●Copper material

Global economy development experienced a slow recovery in 2013. The overseas markets have maintained their electromechanical and light industrial product export demands. The overall demand of Taiwan's market remains weak. Demand for copper wires in Southern China's market remains strong. The Company still has the greatest market share of the domestic market in Taiwan and the export market in Southern China. China's economic slowdown and environmental pollution improvement measures have led to an industrial restructuring in 2013. Real estate regulation and the home appliances to the rural area measures have less than anticipated effects, and the growth demand for copper has somewhat decreased. In 2014, demand is expected to grow by 8%, and the Company will continue to maintain its competitive advantage in China's domestic market.

##### ●Electric cable

Newly-developed industrial wire products are steadily being introduced onto the market, and the Company continues to invest in R&D to create new product lines. Driven by the demand for ship cables, wind power cables, and large-scale equipment cables, some of the technical obstacles have been overcome and the Company is now challenging itself to produce higher grade products. However, competition remains fierce. Faced with various international competitors, the Company must maintain its quality standards and pursue a strategy based on cutting costs in order to continue to provide more competitive prices to customers.

The scope of China's urbanization continues to increase at a rapid pace, which is driving the development of the low-voltage cable industry. This is especially true for construction wires, for which sales are forecasted to hit new highs. At present, very few companies in this industry have a comparably strong financial standing and the ability to produce good quality products. The Company has joined the national grid suppliers and is actively working on expanding this market.



### Specialty Steel Business

#### ● Billet/wire rod/plate material

The global growth trends for stainless steel wire rods and straight rods showed a gradual plateauing trend. However, due to the growing complexity of factors that have interfered with the market in recent years, consumption fluctuations are significant and there is a high degree of difficulty in making accurate predictions. The wire rod demand growth mostly originated in China, India, and Southeast Asia. Overall growth prospects in Europe and North America are limited, and capacity expansion is concentrated in Asia. Oversupply and price competition are the major trends in recent years.

The Company's salt water plant has stably supplied slabs to produce stainless steel rolls. As China's local industrial development flourishes, China's plants have continued to expand production capacity and will build new plants in the near future. All of these factors have increased supply and intensified competition. Raw material prices declined sharply in 2013, and limited growth in the demand for stainless steel dragged down the prices for finished products. However, thanks to swift reactions and maneuvering by the Company's salt water plant, it has continued to improve its core competencies and was able to maintain stable growth in spite of weak global demand.

The Company is anticipated to maintain the product sales price elasticity in 2014 to quickly respond to raw material fluctuations and adjust the stockpile preparations as well as production schedules in order to reduce risks. In addition, China's proposed 12th Five-Year Plan economic stimulus package and local urban development will boost demand in the domestic market, leading a recovery in the steel industry by shifting from exporting to a focus on domestic demand. Demand for stainless steel is poised to undergo a gradual increase, and direction of development will continue to become more diversified. The Company's Yantai factory will make full use of Taiwan's expertise and stable billet quality to continue to thrive and develop in China's domestic market. .

China's long-rod category production volume has exceeded the demand, its grade 1 and 2 universal steel production technology and quality have greatly improved, and its production and sales have turned into net exports. Competing nations such as South Korea and Japan have adopted monetary policies to regulate their respective economies, giving them exchange rate fluctuations that offer greater room for manipulating export quotations, and they are actively expanding into the markets of other countries, moves which have directly affected the Company's market share in Taiwan. These practices have a significant impact on the Company's high value added steel products. Furthermore, in addition to wire rod sales, Indian manufacturers have also sold straight rods as well as fasteners and provided wire drawings to the world at low prices, a trend which has affected customers' demand for the Company's own wire rod and straight rods.

In terms of the stainless steel cold finish rods, China has the advantages of being the local raw material supplier and cheap labor, and China's local mills have the cost advantages. Therefore, demand for kitchenware raw materials is currently dominated by China's local suppliers. China's 12th Five-Year Plan economic stimulus package will significantly increase its domestic market demands. In terms of China's exports, Australia and New Zealand markets use three major manufacturers (one of which is Walsin) as their primary suppliers. The volume imported by this market is significant.

Stainless steel sheets: At present, the supply side of China's hard-sheet rolling plants is greater than that of the demand side, and the price competition is fierce. In addition, China's domestic customers have mostly turned to the local rolling mills to purchase raw materials, and the level of raw material imports have significantly decreased. Due to the rapid increase and growth of China's rolling mills, competition in China has gradually posed pressure for the Company's products. The Company is anticipated to expand in the Southeast Asia markets in 2014. In addition to expanding the amount of work orders in the Thai market, the Company will also endeavor to penetrate the Vietnamese, Filipino, and Indonesian markets.

The European and American markets are primarily dominated by customers from the automotive industry. The company will focus on the development of the super-hard film market, primarily produce coil springs and fasteners, and price competition will still be the overall core issue.

In terms of stainless steel sheet materials, as the China market has tightened up its monetary policy, the stainless steel market demand has decreased. It is anticipated that this state of decreased demand will continue to the upper half of 2014. In terms of product competition, the Company's primary panel material competitors, TISCO and Boasteel, have mainly pursued volume growth due to China's gradual production increase, and the price bidding competition is fierce. The Company's competitive advantage is quality demand and customer services. At present, the market segmentation is clear.

●Stainless steel seamless pipe

As prices for crude oil and raw materials have increased, petrochemical investments have grown globally. This is especially true for North America, where vigorous development of shale gas has led to increasing demand for petrochemical refinement and basic transportation capacity in 2014. The Middle East and Indian markets have huge potential for development, and their demand will increase significantly. Due to the impact of anti-dumping, the European market has no actual procurement needs. In terms of China's market, coal projects are expected to increase in demand, but price competition will intensify and the short delivery period of conventional steel and low prices will become the mainstream competition.

●Pre-stressed/Stainless Steel Wires

Steel strands and galvanized wires: Impacted by the capacity increase since 2011, the upstream manufacturers have entered into the ranks of competitors. With increasing transparency and oversight of public tenders, competition has greatly intensified. The overall market environment is grimmer and price is now the most critical factor that decides which company wins or loses a bid. Galvanized steel raw materials are primarily domestic-based in China, whereby their torsional and strength index have further improved, their resistance to corrosion have increased, and they can be applied to larger span bridges. At present, the primary stainless steel wire products are used for automobile manufacturing and container welding materials, engineering materials and fasteners, as well as raw materials for living consumables; and they tended to be more affected by the government's domestic policy and climate changes.

Micro-Electro-Mechanical Systems Business

●Light Emitting Diodes

LED backlighting has a high level of market penetration, and the force of future demand comes from the lighting market, among which the most obvious are the alternative light source products.

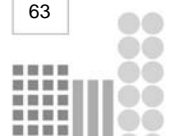
In 2013, the LED market has bottomed-out and the industry consolidation trend has continued, which is expected to continue into 2014.

Real Estate Business

●Walsin Real Estate Procurements

At present, the main trends of the real estate development are scalization, urban centralization, and gradual shifting away from retail. The scale of the city center development projects continues to expand, and whole-integrated products have become the mainstream. In terms of the business attitude, commercial developments have become increasingly shifted away from retailing. Department store and retail sales ratio remained low. The shift away from retailing has become an increasingly clear trend. The ratios of catering, leisure, entertainment, and experiential consumption as well as their profitability have all increased. The mainstream trend in residential housing is moving toward high-end, central air-conditioning, floor heating, high quality renovation, and high-end support facilities.

In terms of competition, since city centers are focused with high-end real estate market and low-density



projects, land supply has always been sparse. Therefore, the number of projects launched is relatively small and the price elasticity is low. Walsin City is located at the heart of a new city where two metro lanes intersect, and its location and position are unique. Similar projects include the Hexi Wanda and Hexi Jinying projects. The Hexi Wanda project has been closed. The Hexi Jinying project is under construction and is currently in the underground stage of the construction phase.

(3) Overview of Technology and R&D

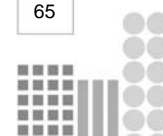
1. R&D Expenses and Results

|              |   |  |
|--------------|---|--|
| R&D Expenses |   | From January 1, 2013 to the publication date of this annual report, the R&D expense was approximately NT\$230 million.   |
| R&D Profile  | Wire and Cable Business                   | The R&D team has continued to strive to develop rubber materials for cables and green environmental protection materials, and has developed over ten types of special materials.<br>Conduct in-depth research on flexible cables structures, invest in dynamic life-cycle test equipment, establish a reliable test database, and solidify the technical foundation. For example, the cable left- and right-bending tests have been conducted for over 10 million times.<br>Develop cable-related accessories, modules, and subsystems. Increase the depth of the supply/value chain.  |
| R&D Profile  | Specialty Steel Business                  | Stainless steel 2205 tubes, rods, wire rod development projects<br>Stainless steel 17-4 rods, wire rod development projects<br>Stainless steel 430LNB wire rod development projects<br>Small hexagon less than H12<br>T91<br>2205<br>Titanium process development<br>Nickel-based alloy process development<br>Nickel-based alloy UNS/N08800/N06600 process development<br>S31400, S308LSi, etc., hot-rolled wire rod development<br>S31803 and 2205 ingot production<br>2205/S347HFG/S31803/T91 seamless tubes and boiler tubes<br>321 grade steel, thickness 0.2mm automobile exhaust pipe material<br>Development of the nickel-chromium-iron alloy N08028 tube<br>Development of the nickel-chromium-iron alloy N06690 tube<br>Development of the nickel-chromium-iron alloy N06600 tube<br>Development of the nickel-chromium alloy N06625 tube |
| R&D Profile  | Micro-Electro-Mechanical Systems Business | Large, medium, and small power brightness LED chip products<br>Unpackaged chip products<br>Automobile lighting products  |



2. Present and future R&D projects as well as the estimated R&D investment expenditure

| Public institutions       | Plan for the most recent year   | Current progress                     | More R&D expenditure to be invested | Mass production completion time        | Primary factors for future R&D to be successful   |
|---------------------------|---|--------------------------------------|-------------------------------------|--|---|
| Electric wires and cables | Electric cables used in mines   | Production test feature verification | NT\$10 million to NT\$15 million    | 2015                                   | Cable design materials and production equipment technology  |
|                           | Flexible cables used by large cranes and automation equipment   | Production test feature verification | NT\$10 million to NT\$15.01 million | 2014                                   | Cable design materials and production equipment technology  |
|                           | Wire sets used by industrial robots   | Customer test feature verification   | NT\$5 million to NT\$10 million     | 2014                                   | Cable/connector design materials and production equipment technology                                |
| Specialty Steel           | Stainless steel 300 series wire rod development case  | Assessment and planning stage        | NT\$18 million                      | Trial stage                            | Continuous casting and hot rolling process parameter settings                                       |
|                           | The stainless steel XM19 rod and wire rod development case and the stainless steel 409L 2B steel coil development case  | Assessment and planning stage        | NT\$12 million                      | Trial stage                            | Continuous casting and hot rolling process parameter settings                                       |
|                           | The stainless steel 2205 tube, rod, and wire rod development case as well as the stainless steel 17-4 rod and wire rod development case                       | Trial completed                      | NT\$12.50 million                   | Can accept orders and trial production | Continuous casting and hot rolling process parameter settings                                       |
|                           | 2205 quality improvement and 2507 grade steel development   | Trial completed                      | RMB 700,000                         | Can accept orders and trial production | Hot-rolled quality and dual phase ratio   |
|                           | Develop new grade steel N8825 and super 28CR; develop wire rod types SA5100, S20430, and S316Cu; and pass the T91 boiler plant certification.                 | Trial stage                          | RMB 2,100,000                       | Can accept orders and trial production | Ti content control, hot roll process parameter settings, and durability tests                       |
|                           | Nickel-chromium-iron alloy N08028 cold tube development and N06625 nickel-chromium-molybdenum alloy tube development  | Trial stage                          | RMB 2,000,000                       | 2014 annual production volume          | Hot extrusion process, cold machine technology, mass production quality                             |
|                           | Iron-nickel-molybdenum alloy tube S31254 development, nickel-chromium-iron alloy N08925/N08926 development, and Nickel-copper alloy tube Monel400 development | Trial stage                          | RMB 2,600,000                       | 2014 annual production volume          | Hot extrusion process, cold machine technology, hot process technology, and mass production quality |



| Public institutions                  | Plan for the most recent year                | Current progress  | More R&D expenditure to be invested | Mass production completion time | Primary factors for future R&D to be successful   |
|--------------------------------------|--|---|-------------------------------------|---------------------------------|---|
| Micro-opto-electro-mechanical System | Low power LED development                    | Development completed, but performance must be further improved | NT\$25 million                      | 2014 annual production volume   | Improve the epitaxial structure with the reduced chip size design   |
|                                      | Medium power LED development                 | Customer test verification                                      | NT\$15 million                      | 2014 annual production volume   | Improve the epitaxial structure with the reduced chip size design   |
|                                      | High power LED enhancement                   | Continue to improve performance                                 | NT\$15 million                      | Can be mass produced            | Epitaxial structure improvement   |
|                                      | Flip chip LED development                    | Customer test feature verification                              | NT\$1 million                       | 2014 annual production volume   | The product structure design, satisfy the needs of customer application   |
|                                      | Fish-eye headlight development plan          | Product test feature verification                               | NT\$2.65 million                    | 2014 annual production volume   | Long life cycle, high light source, and lighting performance: 1. High thermal conductivity substrate < 2.2K/W<br>2. High thermal module Tboard<80C<br>3. Conversion efficiency chip Lx/Lm>0.025           |
|                                      | Reflective automobile light development plan | Produce design development                                      | NT\$3.45 million                    | 2014 annual production volume   | Long life cycle, high light source, and lighting performance: 1. High heat dissipation module Tboard<90C<br>2. High precision lens at 30 and 60 degrees<br>3. High conversion efficiency chip Lx/Lm>0.011 |

(4) Business plan - long-term and short-term

Wire and Cable Business

● Copper Material

The objectives of short-term business development are to grasp the customer growth trends and market demand changes, strive to effectively enhance profitability, and strengthen the work order and production scheduling integration for the cross-strait operation bases. The long-term plan is to maintain competitiveness and the strength to face the market, and conduct sales restructure adjustments for high value added high-temperature wires and fine wires.

● Electric Cable

Taiwan market: Actively seek participation in government construction projects; maintain market share; and provide excellent product quality, delivery schedule, and services in order to enhance customer satisfaction.

Export markets: Strengthen existing businesses in order to consolidate existing markets, and actively enter and develop new markets as well as industrial cable needs.

China market: Adjust sales positions, grasp market demands, collaborate with existing customers, transfer markets, and ensure market share based on the direction of investments made by the Chinese government.

For the long-term, develop new industrial cable customers and actively explore new markets.

#### Specialty Steel Business

- Billet/wire rod/plate material

Maneuver to adjust inventory and sales strategies according to the market, and adjust products as well as steel type combinations with the primary goal of maintaining full plant production. Strengthen development for flat panel category products, cultivate clients in order to rapidly increase market shares domestically and abroad, establish stable supply relationships, and adjust the pace of work order acceptance and shipments. For the long-term, use wire rods developed by the Company to develop new steel categories and new applications, and adjust inventory and sales strategy according to the market in order to enrich the product portfolio. As for flat panels, the objective is to gradually replace imported raw materials as well as continue to develop and cultivate domestic and foreign markets in order to improve capacity utilization and decentralize operational risks.

- Stainless steel seamless pipe

Continue with the high-end certification market and the nuclear power market, actively enter into the high-temperature corrosion-resistant alloys market, solidify existing market shares, and continue development in the emerging markets with the goal of becoming a reliable supplier in the high-end market.

#### Micro-Electro-Mechanical Systems Business

- Light Emitting Diodes

The short-term business development plan is primarily based on China and the export-oriented foundry. The marketing strategy composed of adopting strategic alliances with direct customers and dealer channels, providing the best LED application solutions, promoting new product joint development cooperations with the customers in order to establish the image of a professional high quality chips and chip application manufacturer, and achieve the goal of capacity profit maximization.

The long-term business development plan is to use market-leading product technology to jointly develop new markets with specific parties, create high added value, and enhance profitability.

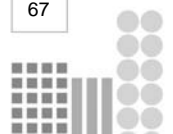
#### Real Estate Business

- Walsin Real Estate Procurements

The Company's real estate business has an accurate grasp of short-term market demand, allowing it to realize the development project upgrades and optimization in terms of scope and design, thereby enhancing the value of its products and marketing capacities. Meanwhile, we have maintained quality control for our sales and operations teams, provided superior after sales services and delivery, and enhanced the market image as well as brand reputation. We have also integrated the existing businesses as well as the office and residence customer resources in order to effectively promote the secondary development needs with communications in order to maximize the development profits.

During the marketing and promotion process, the long-term plan is to use the Nanjing Walsin Centro complex as a vehicle to integrate residential, commercial, and office products, as well as establish brand image. Meanwhile, we have maintained good relationships with suppliers and up-, middle-, and down-stream industries to establish a competitive advantage, strengthened operational and management efficiency of large urban complexes, and created a brand based on high efficiency, high quality, and reliable management.

## 2. Market Analysis and Sales Overview



## (1) Market Analysis

## 1. Sales region(s) and market share of main products

| Public institutions                 | The main production categories                           | Product types                         | Place of production | Sales region   |                                       | Market share   |
|-------------------------------------|--|---------------------------------------|---------------------|----------------|---------------------------------------|--|
| Wire and Cable BG                   | Copper material  | Copper tubes, copper wires            | Taiwan              | Domestic sales | Taiwan region                         | Account for approximately 38% of the market share in Taiwan                    |
|                                     |  |                                       |                     | Exports        | China, Hong Kong Malaysia, Thailand   | For estimation purposes, market share is incorporated into the Chinese region. |
|                                     |  |                                       | China               | Domestic sales | China                                 | Account for approximately 10% of the market share in China                     |
|                                     |  |                                       |                     | Exports        | South and East China                  | Account for approximately 30% of the market share in the export market         |
|                                     | Electric cable   | Electric cable                        | Taiwan              | Domestic sales | Taiwan region                         | 14.0%  |
|                                     |  |                                       | China               | Domestic sales | China                                 | 6.3%   |
|                                     |  |                                       | China               | Domestic sales | China                                 | 0.8%   |
| Specialty Steel BG                  | Billet/wire rod/plate material                           | Stainless steel wire rod              | Taiwan              | Domestic sales | Taiwan                                | 65.90%   |
|                                     |  |                                       |                     | Exports        | China, Asia, Europe, and America      | 5.10%  |
|                                     |  | Hot-rolled stainless steel black coil | Taiwan              | Domestic sales | Taiwan                                | 10.60%   |
|                                     |  | Hot-rolled stainless steel white coil | Taiwan              | Domestic sales | Taiwan                                | 35.30%   |
|                                     | Stainless steel pipe                                     | Seamless steel pipes                  | China               | Domestic sales | China                                 | 15%  |
|                                     |  |                                       |                     | Exports        | North America, Europe, Southeast Asia | 10%  |
|                                     | Stainless steel threads                                  | Stainless steel threads               | China               | Domestic sales | China                                 | 10%  |
|                                     |  |                                       |                     | Exports        | North America, Europe, Southeast Asia | 6%   |
|                                     | Stainless steel bar material                             | Stainless steel cold finishing rods   | Taiwan              | Domestic sales | Taiwan                                | 43.40%   |
|                                     |  |                                       |                     | Exports        | Asia/Europe/Australia                 | 5.50%  |
|                                     | Stainless steel bar/steel Billet/wire rod/plate material | Stainless steel cold finishing rods   | White crane         | Domestic sales | China                                 | 28%  |
|                                     |  |                                       |                     | Exports        | Asia/Europe/Australia                 | 10%  |
|                                     |  | Stainless steel hot rods              | White crane         | Domestic sales | China                                 | 5.6%   |
|                                     |  | Stainless steel billet                | Yantai              | Domestic sales | China                                 | 10.40%   |
| Stainless steel wire rod            |  | Yantai                                | Domestic sales      | China          | 10.60%                                |  |
| Micro-Electro-Mechanical Systems BG | Light Emitting Diodes                                    | LED epitaxial wafers LED chips        | Taiwan              | Domestic sales | Taiwan region                         | N/A  |
|                                     |  |                                       |                     | Exports        | China, Hong Kong                      | N/A  |
|                                     |  |                                       | China               | Domestic sales | Taiwan region                         | N/A  |
|                                     |  |                                       |                     | Exports        | Indirect export                       | N/A  |

## 2. Overview of supply and demand and projected growth

### Wire and Cable Business

#### ● Copper material

Taiwan's market will be affected by the economic recovery timeline. In 2013, domestic demand for copper wire was approximately 400,000 tons, a figure which is projected to remain flat or grow marginally in 2014. In 2013, the Chinese market used approximately 4.5 million tons of copper for electric wires and cables, and copper consumption growth dropped. It is estimated that China's gross domestic product (GDP) rate will fall to approximately 7.5% in 2014, and it is anticipated that copper consumption growth will slow down to approximately 5 million tons.

#### ● Electric cable

Taiwan market: The market has been in an oversupply state for a long time, and demand in the form of civil construction projects has eroded. The market can be expected to improve gradually if the government continues to promote a large number of public construction investments and cases. Overall, the market demand has slowed. The Company still holds an advantage in the future as the market leader due to its brand image and quality services, which are qualities the Company established through long-term operations in Taiwan's market.

International market: The market has been in an oversupply state for a long time. The Company must actively promote its brand and continue to cultivate customer relationships in order to secure its place in future emerging markets that have stronger demand.

In terms of the Chinese market, demand for high- and ultra-high voltage cables has maintained an average annual growth rate of about 11%. However, there is excessive investment in high-voltage cable production, and supply has exceeded demand. However, the performance focused by the high-pressure market is just the vanguard for the Company. There is still room to grow despite the fierce competitive environment. Demand is still growing for low- and medium-voltage cables. Although production capacity currently exceeds demand, the market places great emphasis on quality. The Company still has brand, quality, and service advantages over competitors, and still has room to grow despite the intensely competitive environment.

### Specialty Steel Business

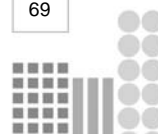
#### ● Billet/wire rod/plate material

#### Billet

Production techniques in the Company's plant in Yantai, China have improved, and products are gradually shifting toward greater diversification and customized development. The Company has also been working to expand niche steel products to enhance the Company's overall performance and market share. Quality has also improved rapidly as a direct result of Taiwan's salt-water technique. Production has gradually increased with the growth of related business sales.

#### Wire rod

Capacity expansion is concentrated in the Asian region. In terms of demand, China, India, and Southeast Asia are the primary growth markets. One of the factors that affect competitiveness is the various exchange rates for the nations. In terms of various government policies, China's capacity elimination, India's subsidy policy, trade cases and economies among the countries, as well as Europe and America's increase or decrease in demand for finished goods will all be major factors that could have an effect on demand in 2014. In addition, customers are increasingly sensitive to changes in market conditions and are wary of possible crises, causing them to be more cautious when making procurement. Customers now seldom if ever keep an



inventory based on speculation. It is anticipated that demand will gradually recover for developed countries in Europe and America. Asia still maintains the largest growth, but competition is fierce in this region.

#### Plate materials

In 2014, the Company will prepare the slabs according to market demand, coordinate in the creation of new grade steels, and develop new product markets. The number one objective is to divert procurement risks and continue to develop new customers. 2D and 2B will regard the domestic and foreign pipe manufacture industry as the main target. Domestically, the goal is to replace material imports.

#### ● Stainless steel cold finishing rods

The North American economy has recovered and the outlook for demand in 2014 is optimistic. Europe still mostly depends on materials supplied locally, meaning there is relatively less room for imported materials. Base demand in the Korean market remains stable. The Company will focus on high quality and profiled bars in the Southeast Asian market in order to avoid price wars. Walsin is currently one of the three major suppliers in the Australia and New Zealand markets. The Company's products are of good quality, have good prices and a strong market presence, and furthermore possess high potential for future growth.

In addition, Taiwan's market demand is expected to grow, and imported materials are gradually being squeezed out of the market. However, price competition among domestic producers is becoming increasingly heated.

Other regional markets, such as that of Japan, are affected by excessively high domestic material prices as well as the difficulty to compete, and are gradually searching for alternative sources of materials. The possibility for such markets to try out Walsin's materials has significantly increased. The majority of demand in the Middle East market is primarily focused on low price materials from India.

#### ● Stainless steel seamless pipe

Demand in 2014 is forecasted to remain unchanged from 2013. In the wake of the lifting of the ban on China's nuclear power industry, nuclear grade pipe procurement volume is estimated to be 1600 tons in 2014. The petrochemical industry is expected to gradually enter the peak of project commencement in the second half of 2014, with annual demand for seamless pipes expected at approximately 7000 tons. Automotive pipes is expected to maintain the growth trend for the next five years. Demand for boilers is expected to be the same as that of 2013. India's electricity demand is strong and has potential for development.

#### Micro-Electro-Mechanical Systems Business

#### ● Light Emitting Diodes

China already has the largest production base for the LED industry and is the largest exporter worldwide. Based on LED's environmental friendly and energy saving features as well as its propensity to become the main source of the green energy lighting source in the future, the Chinese government has continued to promote the adoption of LED light sources for public constructions and new architectures. The Company's primary production base is in China and the Company has formed an alliance with a packaging factory. Therefore, the Company is in an excellent strategic position to make further headway in China's domestic market.

## Real Estate Business

### ● Walsin Real Estate Procurements

In 2013, the housing market of Nanjing is generally in an undersupply condition. The overall demand and supply ratio for the various months tended to be at the lower levels, which indicated that the housing market for Nanjing is generally optimistic. In 2013, the office property transaction volume has grown by 81%, and the transactions are primarily based on the investment/production type SOHO and small apartment offices.

Future outlook: Although China may still announce new real estate control policies, the short-term real estate transaction prices and volume will continue to remain stable due to sufficient demand. Overall, China's moderate inflation, the next wave of urbanization for the rural population and the sustained economic development, and the implementation of the 12th Five Year plan in the future have long-term preservation and appreciation effects for China's real estate market as well as maintain long-term stable real estate developments.

## 3. Competitive Niche, Development Prospects, Future Operating Risks, and Risk Control Measures.

### Wire and Cable Business

#### ● Copper tubes, copper wires

##### ➢ Competitive niches

- Create scalable advantages by providing high quality products and excellent after sales services to customers.
- Have stable raw material supply relationships and perfect hedging mechanism.
- Have the integration and operation capacity for production, sales, purchase, and financial resources.

##### ➢ Favorable factors:

- Externally: China continues to move toward its urbanization, high-speed rail, and electric power facility improvement objectives, and its demand for copper wires will remain stable.
- Internally: We have established long-term, solid foundations with our customers and integrated the advantages of the Company's tri-factory production base to generate optimized sales portfolios.

##### ➢ Unfavorable factors:

- Taiwan and China's copper strip production capacity has exceeded demand, and competition is intense.
- Price fluctuations of raw materials have increased operating risks.

##### ➢ Response measures

- Respond to the nation's governmental policies and changes in the market in order to take full advantage of business opportunities.
- Develop new customers, adjust and optimize customer structure, and increase the emerging cable business and regional sales.
- Comprehensively enhance the operational efficiency, practically implement cost reduction management, and continue to strengthen financial operations.

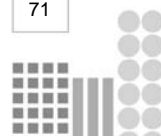
#### ● Electric cable

##### Taiwan's Market

##### ➢ Competitive niches

- The Company has the advantage of providing critical copper raw material supply internally and stably in order to fully exert the benefits of upstream and downstream integration.
- In the long-term, provide products and services related to project engineering as well as accumulate greater knowledge and experience on the supply side of the industry and utilize brand advantages.

##### ➢ Favorable factors:



- Construction cases are continuing to increase.
- The government has continued to promote the expansion of public construction projects and thermal power plant upgrades.

➤ Unfavorable factors:

- Prices for copper raw materials fluctuate significantly and can cause the market demand to become stagnant; therefore, there is increased risk associated with metal raw material costs and trade.
- The market is in an oversupply state and price competition is intense.

➤ Response measures

- Grasp the market demand forecast and implement price hedging for critical metal raw materials in order to reduce transaction risks.
- Develop new products according to the international market industry trends as well as develop new markets and customers.
- Establish long-term cooperative relationships with the main customers as well as expand the scale of products and services.

Chinese Market

➤ Competitive niches

- Have the benefits of vertical integration for upstream copper production.
- The leading manufacturers have high pressure delivery performances
- The brand manufacturers have moderate to low pressure delivery performances

➤ Favorable factors:

- The country has increased its grid quality awareness and the bidding qualification as well as the inspection efforts have become increasingly more strict, which forms a separating the wheat from the chaff effect.
- There are currently few manufacturers that have the ability to produce high pressure 220 kV and large cross-section specification (2500 mm<sup>2</sup>) products.
- There are currently few manufacturers that have strong financial strength.

➤ Unfavorable factors:

- There is an excess of production capacity in the high pressure market and the product prices are still low. There are numerous mature competitors in the industry, and competition is intense.

➤ Response measures

- Introduce new management teams, improve product quality and technical capabilities, and strengthen competitiveness.
- Utilize systematic market and customer information management, understand and follow the latest trends in demand, and increase the proportion of winning bids.
- Expand new markets such as exports, power supply bureaus, and state-owned enterprises.
- Intensive farming two rivers one city, 400 km radius market.

Specialty Steel Business

● Billet/wire rod/plate material

➤ Competitive niches

- Steel mills with one-stop steel making, hot-rolling, and finishing capabilities shorten the supply chain and allow fast reaction to raw material price fluctuations.
- Flexibly adjust long rod and flat panel production combinations based on market conditions and strengthen product diversification advantages.



- Mass production in the Taichung plant effectively enhances steelmaking capacity.
- The adoption of diverse metal materials in steelmaking facilitates cost improvements.

➤ Favorable factors:

- The company's long rod type products have reached economies of scale with fast and stable delivery periods. For other products such as wire rods, sales to customers are direct-user based and can rapidly react to market changes.
- The company's middle- and downstream steel production volume has gradually increased, and molten steel usage rate has steadily grown.
- The company's technology capabilities have reached the global "A" grade steel mill level, with the ability to jointly develop high quality products with its customers.

➤ Unfavorable factors:

- Taiwan is unable to enter free trade economic associations such as ASEAN (of which Japan, South Korea, and China are member states), which is unfavorable for export expansion.
- India and China have increased productivity and focused on exports. In particular, India has developed its down-stream fastener industry, which directly competes for our down-stream customers. As quality gradually matures, steel type replacement trends are increasingly clear.
- China's up-stream State-owned steel mills have alloy raw material price and supply advantages, which further weakens the competitiveness of Taiwan's products in China. "B" grade steel mills have reduced prices in order to compete, and this has had a negative impact on the industry.

➤ Response measures

- Enhance product differentiation and diversification, and increase sales volume for low-nickel, non-nickel, and 316 steel types.
- Stably enhance technological capabilities, strengthen the industry supply chain and technical cooperation, and strengthen market segmentation.
- Stably improve team management capacities as well as respond to market changes through sales strategy, product combinations, and appropriate inventory adjustments.

● Hot-rolled

➤ Competitive niches

- The company's products have a more comprehensive size range and better quality stability, its brand name is also well known.
- At present, product materials for Taiwanese products are all produced and supplied internally. We can collaborate with the rolling cycle to achieve the shortest delivery period. The company has also developed a salt-water plant that has new steel type development capabilities, which can integrate up- and down-stream resources to provide the best services to customers.

➤ Favorable factors:

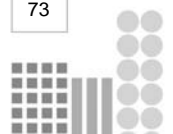
- Large range of sizes, stable delivery, and diverse product types.
- Can satisfy mechanical properties and specifications to meet customer needs.
- Excellent product stability, quality is comparable to that of major manufacturers worldwide.
- Provide direct technical support to upstream mills, quality can continue to improve, and can develop new steel types to expand the market. .

➤ Unfavorable factors:

- Intense price competition, and sales of steel have low profits.
- High profit special raw materials are rarer, and that market is harder to master.

➤ Response measures

- Material: Strengthen the ability to obtain special steel material sources and comply with customers' quality and delivery schedule related demands.



- Market: Strengthen development of new markets, especially those that are end-customer oriented; and avoid the low-cost market.
- Inventory: Hold material inventory for commonly used sizes, readily respond to market demand, and improve inventory turnover to increase customer satisfaction.
- Stainless steel seamless pipe
  - Competitive niches
    - Quality certification has surpassed that of peers.
    - Comprehensive steel types and sizes, and brand name is well known.
  - Favorable factors:
    - Demand recovery in the nuclear power industry.
    - Automobile tubes have a high certification threshold with long cycles. The company has entered the field earlier and gained a niche.
    - Mass production of hot extrusion and nickel alloy tubes.
  - Unfavorable factors:
    - Facing price competition from China's manufacturers.
    - Delivery periods tend to be longer
  - Response measures
    - Development of high value-added products; obtain certification; strengthen customer relationships with engineering companies, boiler stations, and the nuclear power industry; and enter the certification market.
    - Consolidate existing market share and actively develop new markets.
    - Shorten production time to enhance the ability to accept orders.

#### Micro-Electro-Mechanical Systems Business

- Light Emitting Diodes
  - Competitive niches
    - The company's blue-white LED epitaxial wafer and chip technical team is focused on the development of gallium nitride materials as well as the mass production of high brightness LED epitaxial wafers and chips, and has pioneered the development of four-inch products. The company's cost and technical levels are comparable to those of first-tier chip foundry products.
    - The company's mass LED epitaxial wafer and chip set production base is located in Xi'an, China; and enjoys the advantages of having access to an abundant pool of high-quality engineering talents from China's western region, preferential subsidies from government at all levels, strategic alliances with local enterprises, a value chain of up- and downstream labor divisions, high quality and low costs, as well as market priorities.
  - Favorable factors:
    - LED product costs have reached a level of general consumer acceptance, and massive market opportunities for the LEDs to fully replace traditional light sources are approaching.
    - China is already the most critical LED manufacturing center and market. Walsin Lihwa has been established in the Chinese market for many years, and its abundant resources can help the company to expand its business in the future Chinese market.
  - Unfavorable factors:
    - The Chinese government has adopted high subsidy and tax reduction policies for its critical process plants, which causes an oversupply of LED epitaxial wafers and chips. The industry is out of balance

and with prices falling and eroding industry profits.

- Walsin is a latecomer in the LED industry and only has blue and white light products. Its product line is a little narrower. It is located in Xi'an, which is further away from the LED industry clusters and so harder to grasp market information.
  - Restricted by patents, and the company's product sales areas are limited.
- Response measures
- Bypass technology development patent blockades through multinational technical cooperation. The core objective for the short-term is to penetrate the Chinese domestic market.
  - Accelerate LED epitaxial wafer and chip industry alliances, enhance the advantages of economies of scale, and reduce overall production costs.
  - Establish a sales center in the LED cluster in order to be closer to the market.
  - In addition to existing high-power products, develop medium- to low-power chips in order to have a more comprehensive product line to meet customer needs. Meanwhile, enter the niche market as non-encapsulated chip products have matured.

## Real Estate Business

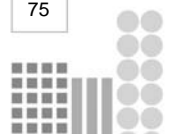
### ● Walsin Real Estate Procurements

#### ➤ Competitive niches

- Location advantage: Walsin Centro is located at the core area of the Nanjing Hexi Newtown CBD and at the intersection of the number 1 and 2 metro lines, which is the only metro intersection besides the one at Xinjiekou (old city center). Nanjing will host the second Youth Olympic Games in 2014, and various government facilities are also gradually being completed.
- Business climate advantages: Walsin Centro was designated as an international city complex during development and will comprise numerous product categories such as office buildings, commercial centers, and high quality housing. The future outlook of city development indicates that high-end city center complexes will offer the most competitive products in the real estate industry.
- Scale advantage: The development scale for this urban development project is 1 million square meters. The various industry functions can complement each other and be superimposed on top of each other to enable this development project to become a landmark business center in Nanjing.
- Quality advantage: The development project was designed to meet new trends in market demand. We have adopted new energy saving materials and technologies extensively, focused on user-friendly design as well as product durability and maintainability in every detail, enabling the product to gain a competitive advantage, and allowed the company to rapidly gain market share and establish its brand name.

#### ➤ Favorable factors:

- Due to the scarcity of land and China's moderate inflation, real estate has the ability to hold and increase its value. The urban complex products have comprehensive functional and location advantages.
- The economy, promoted by the Chinese government, has continued to develop over the years. The implementation of the 12th Five Year Plan should also stimulate the real estate market in the long term.
- The Youth Olympic Games will be held in Nanjing in 2014, ushering in a period of rapid development and maturation in the entire Nanjing Hexi area. This project, which is located at the center of the Youth Olympic Games, will also bring enormous benefits and opportunities for the company.
- The establishment of the Jianbei National New Development District may drive Nanjing into a new round of sustainable development and bring steady growth and prosperity to the real estate market (especially the high-end real estate market). This project is located in Hexi and can fully enjoy the



growth results stimulated by the Youth Olympic Games.

➤ Unfavorable factors:

- Land prices and construction costs have continued to rise, and the government has implemented policies to restrict purchases of ordinary housing.

➤ Response measures

- Optimize layout of urban complexes, and increase the per-unit area turnover value and profits for the commercial center of the region.
- Optimize design drawings and reduce building construction costs through structural optimization under the premise of maintaining product compliance with national standards.
- Optimize the development process; enhance quality of drawings, contract work, and procurement by improving internal processes; and save on project development costs.
- Maintain good product scale, and develop products that satisfy market demand by accurately understanding market needs and enhancing marketing ability.

(2) Major applications of primary products and production processes

Wire and Cable Business

● Copper Material

Application: Wire and cable conductors

Production process: Refined copper (raw material) → melting → rolling → copper strip (semi-finished product) → pull and stretch → copper wire (finished product)

● Electric Cable

Application: Primarily used for power plants, power transmission and distribution, plant facilities, transportation construction, construction of power transmission lines, etc.

Production process: Refined copper (raw material) → drawing → stranding → extrusion → coating → power line (finished product)

Specialty Steel Business

● Billet/wire rod/plate material

Steel Billets

Product application: Hot rolled wire rods, hot rolled straight rods, flanges, seamless steel tubes, etc.

Production process: Melt the scraps and alloy iron to refine and cast it into round or square billets

Flat Billet

Product application: Hot-rolled steel coils, hot rolled steel plates, heavy forgings, etc.

Production process: Melt the scraps and alloy iron to refine and cast it into flat billets

Wire Rod

Product application: Various fasteners, shafts, stainless steel thin wires, cold-finish straight rods, etc.

Production process: Billet (raw material) → roughing → finishing → solutionizing/heat treatment → acid washing → wire rod (finished product)

Crude steel rolls (panel category)

Product application: Provide re-processed cold-rolled upstream semi-finished products such as steel coils, chopped panels, and welding pipes

Production process: Take the flat billets produced by the salt-water plant and commission outside plants to roll them into black crude rolls, and provide them to downstream plants.

Cold rolled coil (flat panel category)

Product application: Building decoration, kitchen utensils, appliances, medical equipment, electronic

communications, chemical tanks, and steel pipes

Production process: Take flat billets produced by the salt-water plant and commission outside plants to hot roll/cold roll them into black crude rolls, and provide them to customers.

- Stainless steel materials

- Hot rolled straight rods

- Product application: Thermal wear tube billets, forging materials, turning parts, etc.

- Production process: Billet (raw material) → roughing → finishing → (solutionizing/acid washing) → straightening/set the length → inspection and packaging (finished product)

- Peeled Straight Bar

- Product application: Forging materials, turning parts, electric machine accessories, etc.

- Production process: Hot-rolled bars or straight white wire rod (raw material) → straightening/set the length → cutting → inspection and packaging (finished product)

- Cold Finish Straight Rods

- Product application: Shafts, medical equipment, furniture decoration items, turning parts, electric machine accessories, etc.

- Production process: Hot-rolled acid washed rod/peeled rod or white wire rod (raw material) → straightening/set the length → cold drawing/grinding → cutting → straightening → calendar/polishing → inspection and packaging (finished product)

- Stainless steel seamless pipe

- Product application: Nuclear power, boiler switch, chemical processing, shipbuilding

- Production process: Billet/bar → hot piercing → cold drawing (rolled) → hot treatment → acid wash → straightening → inspection and packaging

- Pre-stressed/Stainless Steel Wires

- Pre-stressed Concrete Steel Strands

- Application: For large-span concrete structures such as large bridges and buildings

- Production process: Acid wash → drawing → stranding → heat treatment → shunt winding → packaging (inspect the first item of each process)

- Hot galvanized steel wires and steel strands for bridge cables

- Application: Large-span suspension bridges, inhaul cable for cable-stayed bridges, and inhaul cable for large span structures

- Production process: Acid wash → drawing → galvanization → single flange → packaging

- Stainless steel wire material

- Application: Stainless steel wire used as welding material, springs, or screws.

- Production process: Wire rod (raw material) → film → roughing → fine pumping → annealing → coiling → packaging

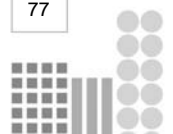
## Micro-Electro-Mechanical Systems Business

- Light Emitting Diodes

- LED epitaxial wafer and chip modules

- Product application: LCD backlight, display board light, general lighting, automobile lighting, etc.

- Production process: Substrate input (raw material) → front-end-process (epitaxial) → middle- and back-end-process → chip (finished product)



Real Estate Business

● Walsin Real Estate Procurements

Residence/office/mall/hotel

Production process: Access to land → market positioning → scale design → building construction → product marketing → building completion and delivery → operation management and post-sales services

(3) Supply status of primary raw materials

| Public institutions                       | Primary raw material  | Description of supply status   |
|---|---|--|
| Wire and Cable Business                   | Copper plates   | Primarily based on long-term annual contracts signed with suppliers and supplemented by spot purchases. Procurement must be co-ordinated with the finished product sales volume.   |
|   | Aluminum ingots   | Adopts monthly price point and monthly average methods   |
|   | Polyethylene  | Adopts monthly/quarterly quantity bargaining method, and includes imported and local supplies  |
|   | Other chemical materials  | Adopts monthly/quarterly quantity bargaining method, and raw materials should mainly be locally sourced.   |
|   | Optical fiber   | Optic fiber raw material should primarily be optic fiber imported by foreign manufacturers.  |
| Specialty Steel Business                  | Pure nickel, high carbon nickel iron, high carbon ferrochrome, stainless steel scraps, carbon steel scraps, and molybdenum iron | The primary metal raw materials used by this company to produce stainless steel are pure nickel, high carbon nickel iron, high carbon ferrochrome, stainless steel scraps, carbon steel scraps, and molybdenum iron. In addition to those from Taiwan, raw materials are also imported from South Africa, Japan, the United States, Australia, Europe, China, etc. |
| Micro-Electro-Mechanical Systems Business | Sapphire substrate, MO source gas   | Negotiate on a monthly/quarterly quantity basis or through contracts with vendors, and include imported as well as local supplies.   |
| Real Estate Business                      | Land  | Implement land reserves based on real estate companies' development strategies and participate in government land auction tenders.   |
|   | Construction Projects and Materials   | The company has selected good quality construction companies and material as well as equipment suppliers through tenders.  |

(4) The names, procurement (sales) amounts, and ratio for suppliers whose total procurement (sales) for any year in the last two years has reached 10%.

1. Major supplier information for the last two years

Unit: NT\$1,000

| Item | 2012          |             |   |                              | 2013          |             |   |                              | End of first quarter 2014 |            |   |                              |
|------|---------------|-------------|---|------------------------------|---------------|-------------|---|------------------------------|---------------------------|------------|---|------------------------------|
|      | Title         | Amount      | Accounting year Net purchases Ratio (%) | Relationship with the issuer | Title         | Amount      | Accounting year Net purchases Ratio (%) | Relationship with the issuer | Title                     | Amount     | Percentage of total net purchases at end of first quarter (%) | Relationship with the issuer |
|      | Net purchases | 128,027,572 | 100                                     | -                            | Net purchases | 136,285,627 | 100                                     | -                            | Net purchases             | 35,448,878 | 100   | -                            |

Note: Suppliers accounting for less than 10% of the total purchase amount.

2. Major sales customer information for the last two years

Unit: NT\$1,000

| Item | 2012      |             |                                     |                              | 2013      |             |                                     |                              | End of first quarter 2014 |            |   |                              |
|------|-----------|-------------|-------------------------------------|------------------------------|-----------|-------------|-------------------------------------|------------------------------|---------------------------|------------|---|------------------------------|
|      | Title     | Amount      | Accounting year Net sales Ratio (%) | Relationship with the issuer | Title     | Amount      | Accounting year Net sales Ratio (%) | Relationship with the issuer | Title                     | Amount     | Percentage of total net sales at end of first quarter (%) | Relationship with the issuer |
|      | Net sales | 157,463,051 | 100                                 | -                            | Net sales | 148,634,957 | 100                                 | -                            | Net sales                 | 37,069,680 | 100   | -                            |

Note: Customers accounting for less than 10% of the total sales amount.

(5) Output volume and value for the last two years

Units: Copper cable unit for communications is in 1000 km pairs

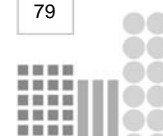
Fiber optic cable unit for communications is in 1000 km cores

The rest are in tons

Currency unit: NT\$1000

| Year<br>Production value/main product | 2013                |                   |             | 2012                |                   |             |
|---------------------------------------|---------------------|-------------------|-------------|---------------------|-------------------|-------------|
|                                       | Production capacity | Production volume | Value       | Production capacity | Production volume | Value       |
| Bare copper wire                      | 612,000             | 487,261           | 82,690,340  | 612,000             | 494,594           | 83,640,227  |
| Power line                            | 72,920              | 43,138            | 12,250,966  | 72,920              | 41,268            | 12,380,735  |
| Communications copper cable           | 1,080               | 285               | 330,697     | 1,080               | 297               | 368,951     |
| Communications fiber optic cable      | 240                 | 148               | 141,571     | 240                 | 306               | 250,251     |
| Stainless steel                       | 548,000             | 372,859           | 24,992,602  | 494,000             | 325,186           | 25,051,378  |
| Hot rolled bar                        | 186,000             | 145,647           | 3,698,441   | 186,000             | 172,341           | 4,111,622   |
| Carbon steel                          | 0                   | 9,429             | 137,044     | 300,000             | 15,799            | 258,867     |
| Seamless steel pipes                  | 27,600              | 26,877            | 4,986,813   | 23,750              | 21,598            | 4,936,948   |
| Medium thickness plate                | 36,000              | 13,124            | 725,745     | 36,000              | 20,367            | 1,828,699   |
| Steel strands                         | 108,000             | 100,425           | 2,539,371   | 126,000             | 110,728           | 2,671,868   |
| Stainless steel strands               | 21,600              | 16,841            | 1,618,800   | 21,600              | 15,613            | 1,671,160   |
| Total                                 |                     |                   | 134,112,390 |                     |                   | 137,170,706 |

Note: Product capacity means the quantity that can be produced under normal operation with the existing production equipment while taking into account factors such as work stoppage and holidays.



## (6) Sales volume and value for the last two years

Units: Copper cable unit for communications is in 1000 km pairs

Fiber optic cable unit for communications is in 1000 km cores

The rest are in tons

Currency unit: NT\$1000

| Year  | 2013           |             |              |             | 2012           |             |              |             |
|---|----------------|-------------|--------------|-------------|----------------|-------------|--------------|-------------|
| Value of Main Products/<br>Sales volume and value | Domestic sales |             | Exports      |             | Domestic sales |             | Exports      |             |
| Product   | Sales volume   | Sales value | Sales volume | Sales value | Sales volume   | Sales value | Sales volume | Sales value |
| Bare copper wire                                  | 375,593        | 51,778,670  | 142,835      | 32,156,933  | 368,314        | 52,488,630  | 140,467      | 34,024,027  |
| Power line  | 46,603         | 14,395,895  | 230          | 65,387      | 42,611         | 13,339,345  | 23           | 8,532       |
| Communications copper cable                       | 282            | 402,970     | 51           | 55,873      | 329            | 515,398     | 47           | 52,244      |
| Communications fiber optic cable                  | 222            | 221,132     | 25           | 38,909      | 407            | 475,081     | 36           | 43,322      |
| Stainless steel                                   | 255,332        | 19,325,134  | 114,455      | 8,538,804   | 228,106        | 19,728,320  | 96,797       | 8,958,930   |
| Hot rolled bar                                    | 131,813        | 3,312,820   | 0            | 0           | 160,110        | 3,825,337   | 0            | 0           |
| Carbon steel                                      | 5,535          | 80,442      | 0            | 0           | 22,169         | 381,716     | 0            | 0           |
| Seamless steel pipes                              | 12,946         | 2,245,887   | 13,200       | 2,605,354   | 7,281          | 1,546,754   | 13,849       | 2,845,688   |
| Medium thickness plate                            | 7,320          | 241,100     | 6,979        | 592,063     | 10,044         | 754,855     | 11,124       | 1,044,910   |
| Steel strands                                     | 95,664         | 2,392,502   | 5,023        | 121,794     | 108,103        | 2,575,914   | 4,882        | 129,309     |
| Stainless steel strands                           | 11,511         | 1,022,272   | 5,091        | 576,989     | 11,182         | 1,078,727   | 4,376        | 525,973     |
| Other (Note 1)                                    | -              | 7,898,512   | -            | 565,515     | -              | 12,431,416  | -            | 688,623     |
| Total   |                | 103,317,336 |              | 45,317,621  |                | 109,141,493 |              | 48,321,558  |

Note 1: "Other" shall include sales of non-core business products as well as real estate business, rental, and product income revenues.



### 3. Industry employee data

April 12, 2014

| Year                        |                      | 2012  | 2013  | Current year up to<br>April 12, 2014 |
|-----------------------------|----------------------|-------|-------|--------------------------------------|
| Number of employees         |                      | 7,051 | 6,396 | 5,918                                |
| Average age                 |                      | 36.0  | 36.8  | 37.3                                 |
| Average years of services   |                      | 6.7   | 7.4   | 7.9                                  |
| Education<br>background (%) | Ph.D.                | 0.3%  | 0.2%  | 0.2%                                 |
|                             | Master               | 4.9%  | 5.0%  | 5.2%                                 |
|                             | University/College   | 36.7% | 36.4% | 36.7%                                |
|                             | High school          | 37.0% | 37.3% | 37.0%                                |
|                             | Below high<br>school | 21.1% | 21.1% | 20.9%                                |

### 4. Environmental protection expenditure status

(1) Losses due to environmental pollution (including compensation) and total penalty fines issued from the most recent year and up to publication date of the annual report:

1. Total penalty amount for 2013: NT\$586,000

(1) Stainless steel plant in Taichung:

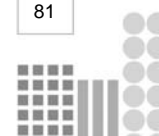
- Period: March 14, 2013, Taichung City Government Environmental Protection Agency's factory inspection.
- Content of inspection: The waste sludge generated by the wastewater process was found to contain harmful substances (chromium), and it was piled outdoors.
- In violation of: Article 36, Paragraph 1 of the Waste Disposal Act
- Penalty: Fined NT\$60,000

(2) Salt-water stainless steel plant:

- Period: February 25, 2013, Tainan City Government Environmental Protection Agency's factory inspection.
- Content of inspection: Water samples were collected at the discharge point for inspection. Test results indicated that the discharge has failed to comply with the metal surface treatment industry effluent standards.
- In violation of: Article 7, Paragraph 1 of the Water Pollution Control Act
- Penalty: Fined NT\$190,000

(3) Salt-water stainless steel plant:

- Period: March 8, 2013, Tainan City Government Environmental Protection Agency's factory inspection.
- Content of inspection: Daily operating records for the amount of sludge produced in the waste acid residue mixture neutralization tank of the salt-water plant were inconsistent with the amount permitted.
- In violation of: Article 14, Paragraph 2 of the Water Pollution Control Act, and handled pursuant to Article 2, Table Item 9 of the "Penalty Fine Standards for violation of the Water Pollution Control Act."
- Penalty: Fined NT\$10,000



## (4) Salt-water stainless steel plant:

- Period: March 8, 2013, Tainan City Government Environmental Protection Agency's factory inspection.
- Content of inspection: Water samples were collected at the discharge point for inspection. Test results indicated that the "nickel" content in the discharge has failed to comply with the metal surface treatment industry effluent standards.
- In violation of: Article 7, Paragraph 1 of the Water Pollution Control Act as well as Article 2 of the Effluent Standards
- Penalty: Fined NT\$260,000

## (5) Salt-water stainless steel plant:

- Period: September 9, 2013, Tainan City Government Environmental Protection Agency's factory inspection.
- Content of inspection: The use of the recycled scrap metal slag iron produced by the removal machine of the wastewater treatment facility is not reported in the waste disposal plan.
- In violation of: Article 31, Paragraph 1, Section 1 of the Waste Disposal Act
- Penalty: Fined NT\$6,000

## (6) Salt-water stainless steel plant:

- Period: October 1, 2013, Tainan City Government Environmental Protection Agency's factory inspection.
- Content of inspection: Hazardous industrial waste is found to be stored at the open space next to the wastewater treatment plant and covered with a canvas, which failed to contain any labels that specify the business name, storage date, quantity, composition, and characteristics of hazardous industrial waste.
- In violation of: Article 36, Paragraph 1 of the Waste Disposal Act
- Penalty: Fined NT\$60,000

## (2) Future countermeasures (including improvement measures) and possible expenses:

"High efficiency, zero pollution" has always been the production principle of this company. After years of hard work by all staff, not only has production technology improved over time, environmental performance has also improved dramatically.

In recent years, this company has strengthened its internal environmental protection efforts in order to comply with the government's environmental protection orders and respond to environmental innovation in the domestic industry. The company's objective is to achieve zero pollution. Environmental investment plans and management measures have been determined as follows:

## 1. Establishment of an environmental assessment system:

Implement environmental testing, establish comprehensive data, and check measurements regularly if production conditions have changed or a new production line has been established in order to verify environmental performance.

## 2. Strengthen environmental testing capabilities:

Add to environmental laboratory equipment, strengthen pollution detection capabilities, control factory conditions, and formulate control measures.

## 3. The company has obtained effluent permits for Xinzhuang plants 1 and 2, Yangmei copper wire plant, Optoelectronics Yangmei plant, and the salt-water plant; and will implement recycling efforts. To comply with EPA regulations the wastewater discharge systems for Xinzhuang plants 1 and 2 and the salt-water plant have been modified so that most discharged water is recycled and reused after degreasing and grit removal procedures as well as effluent monitoring, control, and measurement. The Taichung stainless steel plant has already obtained nanotube approval certification and connection documentation for the export processing zone which is handled by the sewage treatment plant of the Export Processing Zone Administration, Ministry of Economic Affairs, Chung Gang branch.

4. Strict control of industrial waste:

Industrial waste is carefully stored based on category. Waste that can be reused is recycled, and other waste is eliminated through waste disposal agencies approved by the Environmental Protection Agency.

5. Improve energy use efficiency:

Update the old fuel equipment and switch to high-efficiency and clean energy systems that use electric heating, natural gas (Yangmei copper wire plant), or liquefied petroleum gas.

6. Implement a plant greening campaign:

Co-ordinate with existing plant improvement projects to promote park style factories. Cultivate trees, flowers, and lawns; approximately 40,000 square meters of green space; and continue to co-ordinate events that promote the green factory movement.

7. The company has obtained a fixed air pollution source setting and control permit from the Environmental Protection Agency for many years, and has implemented emission reductions:

- Comply with the Air Pollution Control Act of the Environmental Protection Agency and apply for permits for fixed pollution source ranges that are successively announced. The various plants have obtained operating permits for processes and facilities, reducing atmospheric emissions. The Taichung stainless steel plant has obtained a fixed pollution source setting permit. It anticipates receiving a fixed pollution source operating permit in May of 2013.
- The entire company's greenhouse gas emissions were 266,172.32 (tons of Co<sub>2</sub> e/year) for 2012 and 339,052.03 (tons of Co<sub>2</sub> e/year) for 2013. Emissions for 2013 increased because the Taichung plant began operations and production of the various plants has increased. In addition to the new Taichung plant, the headquarters and the various plants have implemented energy saving and carbon dioxide reduction measures since 2012 (12 measures in 2013), and these efforts have reduced a total of 3372.4 (tons of Co<sub>2</sub> e/year) in carbon dioxide emissions and saved an estimated NT\$24,377,000 annually.

8. Obtained ISO-14000 certification for a number of years:

In conformance with international environmental conventions, the Xinzhuang plants 1 and 2, Yangmei copper wire plant, and the salt-water plant have obtained ISO-14001 certification and have continued to research areas to improve in. The Taichung plant is expected to obtain certification before the end of 2014.

9. Obtained OHSAS 18000 certification:

In conformance with international environmental conventions, the Xinzhuang plants 1 and 2, Yangmei copper wire plant, and the salt-water plant have obtained OHSAS 18001 certifications; and have continued with follow-up improvements. The Taichung plant is expected to obtain certification before the end of 2014.

10. Salt-water Plant Research Plan:

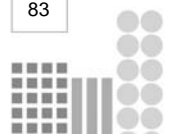
Steelmaking flue dust (hazardous waste) 88.07.02 obtained from the furnace self-recycle and reuse research plan.

Furnace slag recycle and reuse.

11. Environmental protection product development

We have successfully developed environmentally-friendly plastic coating materials for cables and cable products by using low pollution polyethylene (PE) to replace traditional polyvinyl chloride (PVC) for plastic coating thus significantly reducing environmental pollution. Thirteen of the company's inventions won second category environmental protection product awards from the Environmental Protection Administration of the Executive Yuan in December 2001, and have obtained numerous patents in Taiwan, Japan, and China. In addition, the "600V PVC wire" developed by the Xinzhuang plant in 2013 received the inaugural Taiwan carbon footprint audit certification.

Environmental protection is not passive work, it is constructive work that we must pursue actively. In addition to



strengthening pollution prevention and control measures, Walsin Lihwa also nurtures talent to develop no-waste, zero pollution, and clean (green) production processes and raw materials. By endeavoring to practice environmental protection concepts, we aim to promote industrial upgrade as well as exercise the company's corporate responsibilities with due diligence.

12. Primary pollution control equipment purchased in recent years as well as possible applications and benefits:

Currency: NT\$

| Equipment name   | Quantity | Investment cost | Anticipated benefits   |
|--|----------|-----------------|--|
| Waste (sewage) water treatment and discharge pipe modification and improvement for Xinzhuang plant 1 | 1        | 730             | Ensure that water quality complies with effluent standards and that staff work in a safe environment.  |
| Modify rain gutters to discharge water from the Xinzhuang plant 1                                    | 1        | 550             | Comply with the Water Pollution Control Act to separate rain and sewage water and save on water treatment costs.   |
| Replace corroded underground water pipelines for the Xinzhuang plant 1                               | 1        | 240             | Source operational improvements, enhance cooling efficiency, comply with environmental protection regulation standards, conserve energy.   |
| Replace 125HP compressor cooling towers and pipes for the Xinzhuang plant 2                          | 1        | 247             | Source operational improvements, enhance cooling efficiency, comply with environmental protection regulation standards, conserve energy.   |
| Added epitaxy gas heating treatment equipment in the Yangmei optoelectronic plant                    |          | 2,286           | Added additional control equipment to conform with standard modifications and ensure compliance.   |
| Taichung plant acid (water) quality laboratory equipment   | 1        | 1,213           | Analyze and monitor water quality to prevent abnormal discharge.   |
| Taichung plant waterworks sludge dehydration equipment   | 1        | 3,800           | Provide clean water for processing.  |
| The second salt-water plant wastewater neutralization system   | 1        | 30,225          | Effluent complies with environmental protection regulatory requirements.   |
| Added A-B BAY dust collector at the salt-water plant   | 1        | 40,000          | Improve effectiveness of dust collection for the electric furnace area and comply with environmental protection regulatory requirements.   |
| Salt-water plant indoor plant slag pouring area migration and improvement                            | 1        | 27,506          | Improve steelwork slag plant dust dissemination problems during slag pouring to reduce environmental pollution and comply with the environmental protection regulatory requirements. |

## 5. Worker-Management Relations

### (1) Worker-Management Relations and Welfare

"Honest operations," "recognize talent," "performance focused," and "sustainable development" are the key concepts pursued by the company. Worker-management measures are planned under these four operational philosophies and detailed as follows:

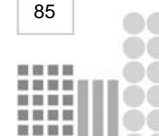
#### 1. Smooth worker-management communication channels

- In 1976 the company established an industry union to advocate suitable policies, and the voice and proposals of workers are communicated using an employer and employee dual-channel communication method.
- Union meetings are held each quarter. Union representative conferences are held every year to establish a good bridge of communication between employers and employees.

- The company publishes the "Walsin People Digital Newsletter" to share information on critical business operations. The company has also established an international communication platform to hold online events and opinion surveys.
2. In co-ordination with the sustainable development of the company's remuneration is established based on the principle of being able to attract and retain talent as follows:
- Salary: Regularly participate in external salary survey activities to understand external salary levels to serve as a reference for the company's salary setting as well as adjustments and to ensure competitive salaries.
  - Bonuses and dividends: Bonuses and dividends are issued annually as part of employee compensation based on the operating performance of each department and the performance results of individuals and groups, while taking into account the objectives of talent retention and motivation.
3. Provide a diverse welfare system that includes the following:
- Group insurance plan (including life insurance, accident insurance, hospitalization insurance, cancer insurance, and pension insurance)
  - Self-contributed insurance plan for employees and their dependents
  - Regular health check-ups for all employees
  - Cash bonuses for the three traditional festivals
  - Birthday bonus
  - Wedding and funeral subsidies
  - Scholarships for children
  - Travel subsidies
  - Community activity subsidies
  - Emergency interest-free loans
  - Hospital condolence fund
  - Staff restaurant
4. Under the "Walsin Lihwa Employee Learning and Development System," each employee is incorporated into the company's operating strategies, policies, and target objectives based on his/her capabilities, job performance, and career development. This enables employees, job performance, and the organization to be fully integrated and to achieve synergies in employee learning and development. The content of the system includes the following:
- Professional talent training in all sectors
  - Management talent training
  - New hire orientation
  - Employee general education courses
  - Self-motivation course
  - Quality and safety awareness course

In 2013, the company spent a total of NT\$6 million on employee education and training. The types of courses offered and their implementation status is as follows:

| Training class category   | Number of attendees | Hours |
|---|---------------------|-------|
| Professional training   | 26,585              | 5,427 |
| Management skill training                                       | 100                 | 93    |
| Environmental safety and health training                        | 6,786               | 922   |
| Other training (general education, language, and certification) | 9,541               | 1,523 |
| Total   | 43,012              | 7,965 |



#### 5. Retirement system

To provide job security to employees the company has established a retirement system pursuant to regulatory requirements with specific measures as follow:

- Established a "Pension Oversight Committee" in 1986, whereby a workers' pension funds are deposited monthly into a pension account at the Bank of Taiwan.
- In response to "Pension Accounting Guideline No. 18," the company has commissioned external consultants to prepare a pension fund actuarial report annually since 1994, and extracted a pension preparation fund each month based on the actuarial report in order to satisfy pension applications made by employees eligible for retirement.
- In line with the implementation of the new pension system in 2005, the company has continued the issuance of the pension fund to retired employees who have elected to receive the pension under the old system. For those who have selected the new system, pension funds equal to 6% of an employee's monthly salary are deposited into the employee's personal account in the Bureau of Labor Insurance. Two employee self-withdrawal rate modification application opportunities are also afforded each year to allow employees to prepare for retirement.
- In addition to compliance with the aforementioned retirement regulations and in recognition of the contributions made by retired employees, the company also issues commemorative medals and awards to retired employees. Meanwhile, the Employee Welfare Committee as well as the industry union have also issued retirement souvenirs to fully reflect the company's gratitude towards retired employees.

6. To ensure that employees comply with obligations to the company, customers, competitors, and suppliers during business operations, the company has established an Employee Code of Conduct in order to regulate employee behavior. The highlights of this Code are as follows:

- Obligation to the company: All company employees must be dedicated, studious, conform with all rules of the company, and ensure confidentiality.
- Obligation to customers: When conducting business dealings in representation of this Company, the employee's attitude must be humble and without any arrogance or pride lest damaging the company's image.
- Obligation to competitors: The company's employees should gather competitor information to serve as a reference for company strategy in a legal and open manner.
- Obligation to suppliers: Negotiations and transactions with suppliers by employees must uphold the principles of fairness, reasonableness, and reciprocity in order to achieve a win-win result.

#### (2) Preventive measures taken to ensure a safe working environment and maintain employees' personal safety

To achieve the "zero injury" objective, the company has established management systems as well as operational and environmental controls in compliance with regulatory requirements. It has implemented labor safety, health management, and environmental protection management in order to create a good working environment as well as protect the safety and health of employees.

##### 1. Safety, Health and Environmental Management Organization and dedicated personnel:

The company has established labor safety and health committees for its headquarters and plants. These committees hold quarterly meetings to review and establish safety and health management measures. The company has established a safety and health management unit at each plant with safety management professionals, health management professionals, as well as health and safety administrators. These personnel are subject to approval by the labor inspection unit of the local district. In terms of environmental protection, the company's head office has established environmental protection dedicated units and dedicated personnel to implement environmental protection management related operations.

2. The company has formulated health and safety codes of practice as well as safety operation standards for

mechanical equipment for employees to follow.

3. Machinery and equipment:

Inspected on a daily, weekly, monthly, quarterly, semi-annual, and annual basis. The competent authorities for dangerous machinery are invited to perform inspections annually to ensure the safe operation of machinery and equipment.

4. Factory facilities:

Safety and health management personnel perform daily inspection, monthly project inspection, and track effectiveness of improvements.

5. Operating environment:

5S management is applied to enhance the factory environment maintenance system. Labor operating environment measurement records for special work facilities are kept quarterly, semi-annually, and annually pursuant to law.

6. Protective equipment:

Review of dangerous mechanical equipment blind spots, installation of protective devices, and issuance of personal protective equipment in order to protect personal safety and health.

7. Education and training:

Education and training is provided to new staff, replacement staff, mechanical equipment operators, automation inspectors, special operations staff, and supervisors pursuant to law. Assistance is given to these staff to obtain the relevant qualification certificates.

8. Health checks:

General health check-ups are performed for new employees before they start their employment, once annually for special operations personnel, and once every two years for general workers at the Taipei, Xinzhuang, and Yangmei optoelectronic plants. Health check-ups are performed annually for employees at the Taichung plant and the salt-water plant in order to understand their health condition, and the results serve as a basis for employee work adjustment distribution and operating environment management improvements.

9. Fire safety:

A comprehensive fire safety system is established in accordance with the provisions of the Fire Services Act, inspected and reported regularly pursuant to law. Employees participate in fire drills once every six months and undergo emergency preparedness and contingency exercises once a year.

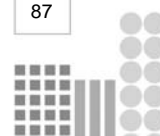
10. Environmental safety operation management and performance assessment measures:

The environmental safety review plan implemented by headquarters from 2012 to 2013 has adopted on-site plant audits for each plant's environmental protection operations and work safety on a regular basis (quarterly). The objective is to ensure sound protection measures, a safe working environment, and that personnel safety protection measures for each plant are properly provided; and to provide appropriate improvement recommendations to ensure a safe working environment for everyone.

(3) Labor dispute losses and countermeasures from the most recent year to the publication date of this annual report: None.

## 6. Important contracts

| Nature of contract        | Contracting parties   | Term of contract | Content   | Restriction clauses  |
|---------------------------|---|------------------|---|--|
| Syndication Loan Contract | Nine banks including the Bank of Taiwan, the Taiwan Cooperative Bank Co., Ltd., and the First Bank. | 2012/08~2017/08  | Syndicated loan limit of NT\$10.2 billion, five-year period, non-recyclable | 1.Current ratio (%)>=100%<br>2.Debt ratio<=120% (net debt/tangible assets)<br>3.Interest protection multiples>=150%<br>4.Tangible assets >= NT\$50 billion |



## VI Financial Information

### 1. Brief Balance Sheets and Comprehensive Income Statements of Last Five Years

#### (1) Consolidated Condensed Balance Sheet

##### 1. IFRSs

Unit : NT Thousands

| Items  | Year                | Financial Statements of the Last Five Years<br>(Note) |             | The financial statements<br>have not been certified by<br>CPA on March 31, 2014 |
|--|---------------------|---|-------------|---|
|  |                     | 2012  | 2013        |   |
| Current Assets                               |                     | 45,945,031  | 52,866,243  | 57,039,990  |
| Property, Plant and Equipment                |                     | 25,844,974  | 21,635,479  | 21,534,704  |
| Intangible Assets                            |                     | 191,401   | 199,178     | 200,070   |
| Other Assets                                 |                     | 36,640,923  | 38,707,441  | 39,110,639  |
| Total Assets                                 |                     | 108,622,329   | 113,408,341 | 117,885,403   |
| Current Liabilities                          | Before Distribution | 23,931,901  | 35,863,269  | 39,449,754  |
| Liabilities                                  | After Distribution  | 23,931,901  | 35,863,269  | 39,449,754  |
| Non-current Liabilities                      |                     | 22,823,530  | 15,347,795  | 15,803,351  |
| Total Liabilities                            | Before Distribution | 46,755,431  | 51,211,064  | 55,253,105  |
| Liabilities                                  | After Distribution  | 46,755,431  | 51,211,064  | 55,253,105  |
| Equity Attributable to owners of the Company |                     | 57,648,208  | 59,971,272  | 60,386,579  |
| Capital Stock                                |                     | 36,160,002  | 35,760,002  | 35,760,002  |
| Capital Surplus                              |                     | 15,742,724  | 15,629,054  | 15,629,654  |
| Retained Earnings                            | Before Distribution | 10,417,431  | 7,758,681   | 7,576,814   |
| Earnings                                     | After Distribution  | 10,417,431  | 7,758,681   | 7,576,814   |
| Other Equity                                 |                     | (3,615,988)   | 823,535     | 1,512,408   |
| Treasury Stock                               |                     | (1,055,961)   | -           | (92,299)  |
| Non-controlling Interests                    |                     | 4,218,690   | 2,226,005   | 2,245,719   |
| Total Equity                                 | Before Distribution | 61,866,898  | 62,197,277  | 62,632,298  |
| Equity                                       | After Distribution  | 61,866,898  | 62,197,277  | 62,632,298  |

Note: Not applicable in 2009-2011.

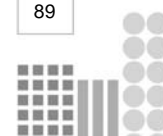


## 2. ROC GAAP

Unit : NT Thousands

| Items  | Year                | Financial Statements of the Last Five Years (Note) |             |             |             |
|--|---------------------|--|-------------|-------------|-------------|
|  |                     | 2009   | 2010        | 2011        | 2012        |
| Current Assets                               |                     | 51,282,137   | 68,050,232  | 64,885,582  | 47,666,894  |
| Fund and Investments                         |                     | 22,692,478   | 25,207,032  | 22,457,770  | 20,276,493  |
| Fixed Assets                                 |                     | 28,977,828   | 30,919,658  | 34,119,420  | 34,973,051  |
| Intangible Assets                            |                     | 2,578,726  | 1,576,957   | 1,755,266   | 1,661,095   |
| Other Assets                                 |                     | 1,214,815  | 1,236,751   | 2,895,460   | 4,225,616   |
| Total Assets                                 |                     | 106,745,984  | 126,990,630 | 126,113,498 | 108,803,149 |
| Current Liabilities                          | Before Distribution | 26,016,315   | 41,461,048  | 57,577,052  | 24,036,989  |
|  | After Distribution  | 26,016,315   | 42,891,448  | 57,577,052  | 24,036,989  |
| Long-term Liabilities                        |                     | 21,442,964   | 15,911,822  | 1,145,846   | 19,663,616  |
| Reserve for Land Revaluation Increment Tax   |                     | 131,132  | 131,132     | 131,132     | 131,132     |
| Other Liabilities                            |                     | 1,937,445  | 2,480,374   | 2,878,303   | 2,878,467   |
| Total Liabilities                            | Before Distribution | 49,527,856   | 59,984,376  | 61,732,333  | 46,710,204  |
|  | After Distribution  | 49,527,856   | 61,414,776  | 61,732,333  | 46,710,204  |
| Capital Stock                                |                     | 30,692,004   | 36,154,455  | 36,160,002  | 36,160,002  |
| Capital Surplus                              |                     | 16,775,959   | 20,245,378  | 20,233,812  | 20,175,066  |
| Retained Earnings                            | Before Distribution | 7,485,579  | 12,262,291  | 6,560,855   | 3,232,397   |
|  | After Distribution  | 7,485,579  | 10,831,891  | 6,560,855   | 3,232,397   |
| Unrealized gains(losses) on financial assets |                     | (1,472,877)  | (2,480,944) | (2,695,200) | (2,243,041) |
| Cumulative Transaction Adjustment            |                     | 2,151,893  | (299,869)   | 2,473,544   | 1,022,341   |
| Unrealized Revaluation Increments            |                     | 426,405  | 426,405     | 426,405     | 426,405     |
| Treasury Stock                               |                     | (454,694)  | (964,154)   | (650,178)   | (936,297)   |
| Net loss Not Recognized as Pension Cost      |                     | -  | -           | -           | -           |
| Minority Interest                            |                     | 1,613,859  | 1,662,692   | 1,871,925   | 4,256,072   |
| Total Equity                                 | Before Distribution | 57,218,128   | 67,006,254  | 64,381,165  | 62,092,945  |
|  | After Distribution  | 57,218,128   | 65,575,854  | 64,381,165  | 62,092,945  |

Note: Not applicable in 2013.



## (2) Condensed Balance Sheet

## 1. IFRSs

Unit : NT Thousands

| Items                         | Year                | Financial Statements of the Last Five Years (Note) |            |
|-------------------------------|---------------------|--|------------|
|                               |                     | 2012   | 2013       |
| Current Assets                |                     | 10,750,743   | 8,723,676  |
| Property, Plant and Equipment |                     | 11,529,460   | 11,719,767 |
| Intangible Assets             |                     | -  | -          |
| Other Assets                  |                     | 58,364,429   | 60,741,853 |
| Total Assets                  |                     | 80,644,632   | 81,185,296 |
| Current Liabilities           | Before Distribution | 11,190,873   | 9,506,730  |
|                               | After Distribution  | 11,190,873   | 9,506,730  |
| Non-current Liabilities       |                     | 11,805,551   | 11,707,294 |
| Total Liabilities             | Before Distribution | 22,996,424   | 21,214,024 |
|                               | After Distribution  | 22,996,424   | 21,214,024 |
| Capital Stock                 |                     | 36,160,002   | 35,760,002 |
| Capital Surplus               |                     | 15,742,724   | 15,629,054 |
| Retained Earnings             | Before Distribution | 10,417,431   | 7,758,681  |
|                               | After Distribution  | 10,417,431   | 7,758,681  |
| Other Equity                  |                     | (3,615,988)  | 823,535    |
| Treasury Stock                |                     | (1,055,961)  | -          |
| Total Equity                  | Before Distribution | 57,648,208   | 59,971,272 |
|                               | After Distribution  | 57,648,208   | 59,971,272 |

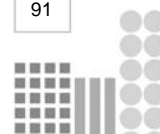
Note: Not applicable in 2009-2011.

## 2. ROC GAAP

Unit : NT Thousands

| Items  | Year                | Financial Statements of the Last Five Years (Note) |             |             |             |
|--|---------------------|--|-------------|-------------|-------------|
|  |                     | 2009   | 2010        | 2011        | 2012        |
| Current Assets                               |                     | 13,889,720   | 21,373,957  | 15,736,835  | 10,787,743  |
| Fund and Investments                         |                     | 45,425,039   | 52,198,066  | 54,511,715  | 48,349,884  |
| Fixed Assets                                 |                     | 18,171,434   | 18,469,852  | 17,901,532  | 20,676,697  |
| Intangible Assets                            |                     | -  | -           | -           | -           |
| Other Assets                                 |                     | 472,369  | 377,471     | 744,114     | 973,745     |
| Total Assets                                 |                     | 77,958,562   | 92,419,346  | 88,894,196  | 80,788,069  |
| Current Liabilities                          | Before Distribution | 7,103,768  | 15,925,606  | 24,701,681  | 11,172,138  |
|  | After Distribution  | 7,103,768  | 17,356,006  | 24,701,681  | 11,172,138  |
| Long-term Liabilities                        |                     | 13,787,869   | 9,605,745   | -           | 10,200,000  |
| Reserve for Land Revaluation                 |                     | 131,132  | 131,132     | 131,132     | 131,132     |
| Increment Tax                                |                     |  |             |             |             |
| Other Liabilities                            |                     | 1,331,524  | 1,413,301   | 1,552,143   | 1,447,926   |
| Total Liabilities                            | Before Distribution | 22,354,293   | 27,075,784  | 26,384,956  | 22,951,196  |
|  | After Distribution  | 22,354,293   | 28,506,184  | 26,384,956  | 22,951,196  |
| Capital Stock                                |                     | 30,692,004   | 36,154,455  | 36,160,002  | 36,160,002  |
| Capital Surplus                              |                     | 16,775,959   | 20,245,378  | 20,233,812  | 20,175,066  |
| Retained Earnings                            | Before Distribution | 7,485,579  | 12,262,291  | 6,560,855   | 3,232,397   |
|  | After Distribution  | 7,485,579  | 10,831,891  | 6,560,855   | 3,232,397   |
| Unrealized gains(losses) on financial assets |                     | (1,472,877)  | (2,480,944) | (2,695,200) | (2,243,041) |
| Cumulative Transaction Adjustment            |                     | 2,151,893  | (299,869)   | 2,473,544   | 1,022,341   |
| Unrealized Revaluation Increments            |                     | 426,405  | 426,405     | 426,405     | 426,405     |
| Treasury Stock                               |                     | (454,694)  | (964,154)   | (650,178)   | (936,297)   |
| Net loss Not Recognized as Pension Cost      |                     | -  | -           | -           | -           |
| Total Equity                                 | Before Distribution | 55,604,269   | 65,343,562  | 62,509,240  | 57,836,873  |
|  | After Distribution  | 55,604,269   | 63,913,162  | 62,509,240  | 57,836,873  |

Note: Not applicable in 2013.



## (3) Consolidated Condensed Income Statements

## 1. IFRSs

Unit : NT Thousands(Except EPS)

| Items  | Year | Financial Statements of the Last Five Years<br>(Note 2) |             | The financial statements<br>have not been certified<br>by CPA on March<br>31, 2014 |
|--|------|---|-------------|--|
|  |      | 2012  | 2013        |  |
| Net Sales  |      | 157,463,051   | 148,634,957 | 37,069,680   |
| Gross Profit   |      | 7,539,080   | 4,631,158   | 1,170,813  |
| Operating Income   |      | 2,282,831   | 45,197      | 178,374  |
| Non-operating Revenue and Expense  |      | (4,046,353)   | (2,361,334) | (390,353)  |
| Profit before Taxes  |      | (1,763,522)   | (2,316,137) | (211,979)  |
| Gain (Loss) from Continued Operations  |      | (3,124,839)   | (2,431,422) | (190,972)  |
| Gain (Loss) from Discontinued Operations   |      | -   | -           | -  |
| Profit for the year  |      | (3,124,839)   | (2,431,422) | (190,972)  |
| Other comprehensive income, net of<br>income tax                                     |      | (1,168,576)   | 4,489,965   | 717,587  |
| Total comprehensive income for the year  |      | (4,293,415)   | 2,058,543   | 526,615  |
| Profit for the year attributable to owners of<br>the company                         |      | (3,186,541)   | (2,688,696) | (177,084)  |
| Profit for the year attributable to<br>non-controlling interests                     |      | 61,702  | 257,274     | (13,888)   |
| Total comprehensive income for the year<br>attributable to owners of the company     |      | (4,302,013)   | 1,836,583   | 513,824  |
| Total comprehensive income for the year<br>attributable to non-controlling interests |      | 8,598   | 221,960     | 12,791   |
| Earnings Per Share(Note 1)   |      | (0.90)  | (0.77)      | (0.05)   |

Note 1: Earnings per share are based on retroactively adjusted weighted outstanding common stocks.

Note 2: Not applicable in 2009-2011.

## 2. ROC GAAP

Unit : NT Thousands(Except EPS)

| Items  | Year | Financial Statements of the Last Five Years (Note 2) |             |             |             |
|--|------|--|-------------|-------------|-------------|
|  |      | 2009   | 2010        | 2011        | 2012        |
| Net Sales  |      | 132,958,813  | 190,151,786 | 189,893,217 | 157,440,479 |
| Gross Profit   |      | 9,680,111  | 8,657,240   | 5,331,256   | 7,534,977   |
| Operating Income   |      | 5,445,805  | 3,545,303   | (526,230)   | 2,280,690   |
| Non-operating Revenue                                    |      | 792,489  | 3,752,371   | 2,672,407   | 1,035,383   |
| Non-operating Expense                                    |      | 3,427,209  | 1,365,981   | 5,975,691   | 5,221,527   |
| Gain(Loss) before Tax from<br>Continued Operations       |      | 2,811,085  | 5,931,693   | (3,829,514) | (1,905,454) |
| Gain(Loss) from Continued<br>Operations                  |      | 2,118,524  | 4,967,732   | (4,192,626) | (3,266,756) |
| Gain(Loss) from Discontinued<br>Operations               |      | -  | -           | -           | -           |
| Extraordinary Gain or Loss                               |      | -  | -           | -           | -           |
| Cumulative Effect of Changes<br>in Accounting Principles |      | -  | -           | -           | -           |
| Net Income(Loss)   |      | 2,118,524  | 4,967,732   | (4,192,626) | (3,266,756) |
| Earnings Per Share(Note 1)                               |      | 0.47   | 1.55        | (1.20)      | (0.94)      |

Note 1: Earnings per share are based on retroactively adjusted weighted outstanding common stocks.

Note 2: Not applicable in 2013.

#### (4) Condensed Income Statements

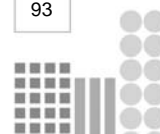
##### 1. IFRSs

Unit : NT Thousands(Except EPS)

| Items   | Year | Financial Statements of the Last Five Years (Note 2) |             |
|---|------|--|-------------|
|   |      | 2012   | 2013        |
| Net Sales                                     |      | 69,282,856   | 67,659,107  |
| Gross Profit                                  |      | 4,072,010  | 2,693,683   |
| Operating Income                              |      | 2,443,001  | 1,648,545   |
| Non-operating Revenue and Expense             |      | (5,623,542)  | (4,663,241) |
| Profit before Taxes                           |      | (3,180,541)  | (3,014,696) |
| Gain (Loss) from Continued Operations         |      | (3,186,541)  | (2,688,696) |
| Gain (Loss) from Discontinued Operations      |      | -  | -           |
| Profit for the year                           |      | (3,186,541)  | (2,688,696) |
| Other comprehensive income, net of income tax |      | (1,115,472)  | 4,525,279   |
| Total comprehensive income for the year       |      | (4,302,013)  | 1,836,583   |
| Earnings Per Share(Note 1)                    |      | (0.90)   | (0.77)      |

Note 1: Earnings per share are based on retroactively adjusted weighted outstanding common stocks.

Note 2: Not applicable in 2009-2011.



## 2. ROC GAAP

Unit : NT Thousands(Excpet EPS)

| Items   | Year | Financial Statements of the Last Five Years (Note 2) |            |             |             |
|---|------|--|------------|-------------|-------------|
|   |      | 2009   | 2010       | 2011        | 2012        |
| Net Sales   |      | 61,411,756   | 78,745,529 | 74,246,866  | 69,282,856  |
| Gross Profit  |      | 5,105,609  | 5,317,823  | 4,154,508   | 4,072,010   |
| Operating Income                                      |      | 3,702,637  | 3,236,884  | 2,061,680   | 2,444,798   |
| Non-operating Revenue                                 |      | 347,996  | 2,723,036  | 1,055,433   | 371,743     |
| Non-operating Expense                                 |      | 2,005,197  | 579,208    | 7,504,149   | 6,138,999   |
| Gain(Loss) before Tax from Continued Operations       |      | 2,045,436  | 5,380,712  | (4,387,036) | (3,322,458) |
| Gain(Loss) from Continued Operations                  |      | 1,435,436  | 4,776,712  | (4,271,036) | (3,328,458) |
| Gain(Loss) from Discontinued Operations               |      | -  | -          | -           | -           |
| Extraordinary Gain or Loss                            |      | -  | -          | -           | -           |
| Cumulative Effect of Changes in Accounting Principles |      | -  | -          | -           | -           |
| Net Income(Loss)                                      |      | 1,435,436  | 4,776,712  | (4,271,036) | (3,328,458) |
| Earnings Per Share(Note 1)                            |      | 0.47   | 1.55       | (1.20)      | (0.94)      |

Note 1: Earnings per share are based on retroactively adjusted weighted outstanding common stocks.

Note 2: Not applicable in 2013.

## (3) CPA's Opinion of the Last Five Years:

| Year | CPA   | Auditors' Opinion                                       |
|------|---|---|
| 2009 | Deloitte & Touche<br>Chiu, Ming-Yu, Lu, Chi-Chant | An Unqualified Opinion with<br>an Explanatory Paragraph |
| 2010 | Deloitte & Touche<br>Chiu, Ming-Yu, Lu, Chi-Chant | An Unqualified Opinion                                  |
| 2011 | Deloitte & Touche<br>Chiu, Ming-Yu, Kenny Hong    | An Unqualified Opinion with<br>an Explanatory Paragraph |
| 2012 | Deloitte & Touche<br>Chiu, Ming-Yu, Kenny Hong    | An Unqualified Opinion with<br>an Explanatory Paragraph |
| 2013 | Deloitte & Touche<br>Yu, Hung-Bin, Kenny Hong     | An Unqualified Opinion with<br>an Explanatory Paragraph |

## 2. Financial Analysis of Last Five Years

### (1) Financial Analysis - Consolidated Financial Statement under IFRSs

| Analysis Items        | Year   | Financial Analysis of the Last Five Years (Note 1) |          | The financial statements have not been certified by CPA on March 31, 2014 |
|-----------------------|--|--|----------|---|
|                       |  | 2012   | 2013     |   |
| Capital Structure %   | Dabt Ratio                                       | 43.04  | 45.15    | 46.87   |
|                       | Long-term Funds to Property, plant and equipment | 327.68   | 358.41   | 364.22  |
| Solvency %            | Current Ratio                                    | 191.98   | 147.41   | 144.58  |
|                       | Quick Ratio                                      | 95.51  | 83.21    | 83.72   |
|                       | Interest Guarantee                               | (185.51)   | (276.85) | (37.43)   |
| Operating Performance | Account Receivables Turnover (Times)             | 9.64   | 8.87     | 8.03  |
|                       | Average AR Turnover Days                         | 37.86  | 41.14    | 45.45   |
|                       | Inventory Turnover (Times)                       | 5.98   | 6.88     | 6.66  |
|                       | Account Payable Turnover (Times)                 | 18.27  | 22.57    | 20.65   |
|                       | Average Inventory Turnovers Days                 | 61.03  | 53.05    | 54.80   |
|                       | Property, plant and equipment Turnover (Times)   | 6.20   | 6.26     | 6.86  |
|                       | Total Assets Turnover (Times)                    | 1.34   | 1.33     | 1.28  |
| Profitability         | Return on Total Assets (%)                       | (2.54)   | (1.66)   | (0.04)  |
|                       | Return on Equity (%)                             | (4.95)   | (3.91)   | (0.30)  |
|                       | Return on Capital-Income BeforeTax (%)           | (4.87)   | (6.47)   | (0.59)  |
|                       | Net Profit Ratio (%)                             | (1.98)   | (1.63)   | (0.12)  |
|                       | Earnings Per Share (NT\$) (Note 2)               | (0.90)   | (0.77)   | (0.05)  |
| Cash Flow (Note 3)    | Cash Flow Ratio (%)                              | 26.83  | 17.24    | -   |
|                       | Cash Flow Adequacy Ratio (%)                     | 46.95  | 38.20    | 57.50   |
|                       | Cash Reinvestment Ratio (%)                      | 7.07   | 7.51     | -   |
| Leverage              | Operating Leverage                               | 4.59   | 173.93   | 42.07   |
|                       | Financial Leverage                               | 1.37   | -        | 7.39  |

Explanation for changes in financial ratios over 20% in last two years :

- A. The decrease of current ratio and cash flow ratio in 2013 compared to 2012 were due to the increase of current portion of long-term borrowings.
- B. The decrease of interest guarantee and return on capital-income before tax in 2013 compared to 2012 were due to the increase of loss before tax in 2013.
- C. The increase of account payable turnover in 2013 compared to 2012 was due to the decrease of account payable.
- D. The increase of return on total assets and return on equity in 2013 compared to 2012 were due to the decrease of loss after tax in 2013.
- E. The increase of operating leverage in 2013 compared to 2012 was due to the decrease of operating income in 2013.

Note 1: Not applicable in 2009-2011.

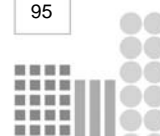
Note 2: Earnings per share are based on retroactively adjusted weighted outstanding common stocks.

Note 3: If net cash provided by operating activities is negative , shall not be calculated

Note 4: Financial Analysis formulas show as the following :

Capital Structure:

$$(1) \text{ Debt Ratio} = \text{Total liabilities} / \text{Total Assets}$$



- (2) Long-Term Funds to Fixed Assets =  $(\text{Stockholders' Equity} + \text{Long-Term liabilities}) / \text{Property, plant and equipment, net}$

Solvency:

- (1) Current Ratio =  $\text{Current Assets} / \text{Current Liabilities}$   
 (2) Quick Ratio =  $(\text{Current Assets} - \text{Inventories} - \text{Prepaid Expenses}) / \text{Current Liabilities}$   
 (3) Interest Guarantee (Times) =  $\text{Income before tax and interest expenses} / \text{interest expenses}$

Operating Performance:

- (1) Account Receivables Turnover (Times) =  $\text{Net Sales} / \text{average of the period of AR}$   
 (2) Average AR Turnover Days =  $365 / \text{Account Receivables Turnover (Times)}$   
 (3) Inventory Turnover (Times) =  $\text{Cost of Sales} / \text{average of inventories}$   
 (4) Account Payable Turnover (Times) =  $\text{Cost of Sales} / \text{average of the period of AP}$   
 (5) Average Inventory Turnovers Days =  $365 / \text{Inventory Turnover (Times)}$   
 (6) Fixed Assets Turnover (Times) =  $\text{Net Sales} / \text{Property, plant and equipment, net}$   
 (7) Total Assets Turnover (Times) =  $\text{Net Sales} / \text{Total Assets}$

Profitability:

- (1) Return on Total Assets (%) =  $[\text{Net income after tax} + \text{interest expense} \times (1 - \text{ratio of tax})] / \text{average of Total Assets}$   
 (2) Return on Equity (%) =  $\text{Net income after tax} / \text{average of Stockholders' Equity}$   
 (3) Net Profit Ratio (%) =  $\text{Net income after tax} / \text{Net Sales}$   
 (4) Earnings Per Share (NT\$) =  $(\text{Net income after tax} - \text{Stock Div.-Preferred}) / \text{weight average outstanding common stocks}$

Cash Flow:

- (1) Cash Flow Ratio (%) =  $\text{Net cash provided by operating activities} / \text{Current Liabilities}$   
 (2) Cash Flow Adequacy Ratio (%) =  $\text{Net cash provided by operating activities in recently five year} / \text{Recently five year of (capital expenses} + \text{Increase of inventories} + \text{Cash dividend})$   
 (3) Cash Reinvestment Ratio (%) =  $(\text{Net cash provided by operating activities} - \text{Cash dividend}) / (\text{Property, plant and equipment, gross} + \text{Long-Term Investment} + \text{other assets} + \text{Working Capital})$

Leverage:

- (1) Operating Leverage =  $(\text{Net Sales} - \text{changes of operating cost and expense}) / \text{operating income}$   
 (2) Financial Leverage =  $\text{operating income} / (\text{operating income} - \text{interest expense})$



## (2) Financial Analysis – Consolidated Financial Statement under ROC GAAP

| Analysis Items        |  | Year              | Financial Analysis of the Last Five Years (Note 1) |        |          |          |        |
|-----------------------|--|-------------------|--|--------|----------|----------|--------|
|                       |  |                   | 2009   | 2010   | 2011     | 2012     |        |
| Capital Structure %   | Dabt Ratio                                       |                   | 46.39  | 47.23  | 48.94    | 42.93    |        |
|                       | Long-term Funds to Property, plant and equipment |                   | 278.59   | 276.61 | 200.87   | 242.37   |        |
| Solvency %            | Current Ratio                                    |                   | 197.11   | 164.13 | 112.69   | 198.30   |        |
|                       | Quick Ratio                                      |                   | 76.81  | 72.31  | 54.57    | 94.97    |        |
|                       | Interest Guarantee                               |                   | 414.29   | 628.37 | (196.73) | (208.55) |        |
| Operating Performance | Account Receivables Turnover (Times)             |                   | 15.16  | 15.92  | 12.39    | 9.61     |        |
|                       | Average AR Turnover Days                         |                   | 24.07  | 22.92  | 29.45    | 37.98    |        |
|                       | Inventory Turnover (Times)                       |                   | 5.71   | 5.66   | 5.63     | 5.71     |        |
|                       | Account Payable Turnover (Times)                 |                   | 19.40  | 19.14  | 17.54    | 18.26    |        |
|                       | Average Inventory Turnovers Days                 |                   | 63.92  | 64.48  | 64.83    | 63.92    |        |
|                       | Property, plant and equipment Turnover (Times)   |                   | 4.68   | 6.34   | 5.83     | 4.55     |        |
|                       | Total Assets Turnover (Times)                    |                   | 1.30   | 1.62   | 1.50     | 1.34     |        |
| Profitability         | Return on Total Assets (%)                       |                   | 2.73   | 5.05   | (2.38)   | (2.63)   |        |
|                       | Return on Equity (%)                             |                   | 3.82   | 7.99   | (6.38)   | (5.16)   |        |
|                       | Return on Capital (%)                            | Operating Income  |  | 17.74  | 9.80     | (1.45)   | 6.30   |
|                       |  | Income Before Tax |  | 9.15   | 16.40    | (10.59)  | (5.26) |
|                       | Net Profit Ratio (%)                             |                   | 1.59   | 2.61   | (2.20)   | (2.07)   |        |
|                       | Earnings Per Share (NT\$) (Note 2)               |                   | 0.47   | 1.55   | (1.20)   | (0.94)   |        |
| Cash Flow (Note 3)    | Cash Flow Ratio (%)                              |                   | -  | -      | 11.33    | 26.58    |        |
|                       | Cash Flow Adequacy Ratio (%)                     |                   | 22.91  | 23.91  | 30.64    | 46.85    |        |
|                       | Cash Reinvestment Ratio (%)                      |                   | -  | -      | 7.63     | 6.26     |        |
| Leverage              | Operating Leverage                               |                   | 2.06   | 3.07   | (15.06)  | 4.59     |        |
|                       | Financial Leverage                               |                   | 1.19   | 1.46   | 0.28     | 1.37     |        |

Note 1: Not applicable in 2013.

Note 2: Earnings per share are based on retroactively adjusted weighted outstanding common stocks.

Note 3: If net cash provided by operating activities is negative, shall not be calculated

Note 4: Financial Analysis formulas show as the following:

Capital Structure:

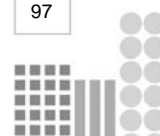
- (1) Debt Ratio = Total liabilities / Total Assets
- (2) Long-Term Funds to Fixed Assets = (Stockholders' Equity + Long-Term liabilities) / Property, plant and equipment, net

Solvency:

- (1) Current Ratio = Current Assets / Current Liabilities
- (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
- (3) Interest Guarantee(Times) = Income before tax and interest expenses / interest expenses

Operating Performance:

- (1) Account Receivables Turnover (Times) = Net Sales / average of the period of AR
- (2) Average AR Turnover Days = 365 / Account Receivables Turnover (Times)
- (3) Inventory Turnover(Times) = Cost of Sales / average of inventories
- (4) Account Payable Turnover (Times) = Cost of Sales / average of the period of AP



- (5) Average Inventory Turnovers Days =  $365 / \text{Inventory Turnover (Times)}$
- (6) Fixed Assets Turnover (Times) =  $\text{Net Sales} / \text{Property, plant and equipment, net}$
- (7) Total Assets Turnover (Times) =  $\text{Net Sales} / \text{Total Assets}$

Profitability:

- (1) Return on Total Assets (%) =  $[\text{Net income after tax} + \text{interest expense} \times (1 - \text{ratio of tax})] / \text{average of Total Assets}$
- (2) Return on Equity (%) =  $\text{Net income after tax} / \text{average of Stockholders' Equity}$
- (3) Net Profit Ratio (%) =  $\text{Net income after tax} / \text{Net Sales}$
- (4) Earnings Per Share (NT\$) =  $(\text{Net income after tax} - \text{Stock Div.-Preferred}) / \text{weight average outstanding common stocks}$

Cash Flow:

- (1) Cash Flow Ratio (%) =  $\text{Net cash provided by operating activities} / \text{Current Liabilities}$
- (2) Cash Flow Adequacy Ratio (%) =  $\text{Net cash provided by operating activities in recently five year} / \text{Recently five year of (capital expenses} + \text{Increase of inventories} + \text{Cash dividend})$
- (3) Cash Reinvestment Ratio (%) =  $(\text{Net cash provided by operating activities} - \text{Cash dividend}) / (\text{Property, plant and equipment, gross} + \text{Long-Term Investment} + \text{other assets} + \text{Working Capital})$

Leverage:

- (1) Operating Leverage =  $(\text{Net Sales} - \text{changes of operating cost and expense}) / \text{operating income}$
- (2) Financial Leverage =  $\text{operating income} / (\text{operating income} - \text{interest expense})$

## (3) Financial Analysis - Financial Statement under IFRSs

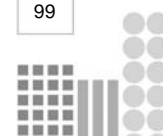
| Analysis Items  |  | Year | Financial Analysis of the Last Five Years (Note 1) |            |
|---|--|------|--|------------|
|   |  |      | 2012   | 2013       |
| Capital Structure %   | Dabt Ratio                                       |      | 28.51  | 26.13      |
|   | Long-term Funds to Property, plant and equipment |      | 602.40   | 611.60     |
| Solvency %  | Current Ratio                                    |      | 96.06  | 91.76      |
|   | Quick Ratio                                      |      | 34.23  | 33.42      |
|   | Interest Guarantee                               |      | (940.04)   | (1,021.68) |
| Operating Performance   | Account Receivables Turnover (Times)             |      | 24.25  | 24.75      |
|   | Average AR Turnover Days                         |      | 15.05  | 14.74      |
|   | Inventory Turnover (Times)                       |      | 8.39   | 11.54      |
|   | Account Payable Turnover (Times)                 |      | 17.42  | 23.80      |
|   | Average Inventory Turnovers Days                 |      | 43.50  | 31.62      |
|   | Property, plant and equipment Turnover (Times)   |      | 6.88   | 5.82       |
|   | Total Assets Turnover (Times)                    |      | 0.81   | 0.83       |
| Profitability   | Return on Total Assets (%)                       |      | (3.40)   | (3.02)     |
|   | Return on Equity (%)                             |      | (5.30)   | (4.57)     |
|   | Return on Capital-Income Before Tax (%)          |      | (8.79)   | (8.43)     |
|   | Net Profit Ratio (%)                             |      | (4.59)   | (3.97)     |
|   | Earnings Per Share (NT\$) (Note 1)               |      | (0.90)   | (0.77)     |
| Cash Flow (Note 2)  | Cash Flow Ratio (%)                              |      | 33.87  | 64.12      |
|   | Cash Flow Adequacy Ratio (%)                     |      | 42.16  | 52.19      |
|   | Cash Reinvestment Ratio (%)                      |      | 5.20   | 8.43       |
| Leverage  | Operating Leverage                               |      | 2.34   | 2.78       |
|   | Financial Leverage                               |      | 1.14   | 1.19       |
| Explanation for changes in financial ratios over 20% in last two years:   |  |      |  |            |
| A. The increase of inventory turnover in 2013 compared to 2012 was due to the decrease of average inventories in 2013.  |  |      |  |            |
| B. The increase of account payable turnover in 2013 compared to 2012 was due to the decrease of average account payable in 2013.  |  |      |  |            |
| C. The decrease of average inventory turnovers days in 2013 compared to 2012 was due to the increase of inventory turnover.   |  |      |  |            |
| D. The increase of cash flow ratio and cash reinvestment ratio in 2013 compared to 2012 were due to the increase of net cash generated from operating activities in 2013. |  |      |  |            |
| E. The increase of cash flow adequacy ratio in 2013 compared to 2012 was due to the decrease of capital expenditures.   |  |      |  |            |

Note 1: Not applicable in 2009 to 2011.

Note 2: Earnings per share are based on retroactively adjusted weighted outstanding common stocks.

Note 3: If net cash provided by operating activities is negative, shall not be calculated.

Note 4: Financial Analysis formulas see Table (1).



## (4) Financial Analysis - Financial Statement under ROC GAAP

| Analysis Items        |  | Year              | Financial Analysis of the Last Five Years (Note 1) |            |          |        |
|-----------------------|--|-------------------|--|------------|----------|--------|
|                       |  | 2009              | 2010   | 2011       | 2012     |        |
| Capital Structure %   | Dabt Ratio                                       | 28.67             | 29.30  | 29.68      | 28.40    |        |
|                       | Long-term Funds to Property, plant and equipment | 381.87            | 405.79   | 350.34     | 329.05   |        |
| Solvency %            | Current Ratio                                    | 195.53            | 134.21   | 63.71      | 96.55    |        |
|                       | Quick Ratio                                      | 55.34             | 34.99  | 21.99      | 34.29    |        |
|                       | Interest Guarantee                               | 665.21            | 1,590.88   | (1,077.54) | (986.44) |        |
| Operating Performance | Account Receivables Turnover (Times)             | 27.61             | 29.71  | 27.82      | 24.25    |        |
|                       | Average AR Turnover Days                         | 13.21             | 12.28  | 13.12      | 15.05    |        |
|                       | Inventory Turnover (Times)                       | 7.33              | 6.66   | 6.40       | 8.39     |        |
|                       | Account Payable Turnover (Times)                 | 24.63             | 20.51  | 16.49      | 17.42    |        |
|                       | Average Inventory Turnovers Days                 | 49.79             | 54.80  | 57.03      | 43.50    |        |
|                       | Property, plant and equipment Turnover (Times)   | 3.42              | 4.30   | 4.09       | 3.59     |        |
|                       | Total Assets Turnover (Times)                    | 0.81              | 0.92   | 0.82       | 0.81     |        |
| Profitability         | Return on Total Assets (%)                       | 2.22              | 5.98   | (4.31)     | (3.56)   |        |
|                       | Return on Equity (%)                             | 2.66              | 7.90   | (6.68)     | (5.53)   |        |
|                       | Return on Capital (%)                            | Operating Income  | 12.06  | 8.95       | 5.70     | 6.76   |
|                       |  | Income Before Tax | 6.66   | 14.88      | (12.13)  | (9.18) |
|                       | Net Profit Ratio (%)                             | 2.34              | 6.07   | (5.75)     | (4.80)   |        |
|                       | Earnings Per Share (NT\$) (Note 2)               | 0.47              | 1.55   | (1.20)     | (0.94)   |        |
| Cash Flow (Note 3)    | Cash Flow Ratio (%)                              | 50.05             | 5.75   | 30.29      | 30.10    |        |
|                       | Cash Flow Adequacy Ratio (%)                     | 33.92             | 25.94  | 30.60      | 40.85    |        |
|                       | Cash Reinvestment Ratio (%)                      | 4.33              | 1.03   | 7.85       | 4.03     |        |
| Leverage              | Operating Leverage                               | 1.68              | 2.03   | 2.80       | 2.04     |        |
|                       | Financial Leverage                               | 1.11              | 1.13   | 1.22       | 1.14     |        |

Note 1: Not applicable in 2013.

Note 2: Earnings per share are based on retroactively adjusted weighted outstanding common stocks.

Note 3: If net cash provided by operating activities is negative, shall not be calculated.

Note 4: Financial Analysis formulas see Table (2).

### 3. Supervisors' Audit Report of Finalcial Statement of Recent Years

#### Supervisors' Report

The Board of Directors have prepared and submitted to us the Company's 2013 financial statements, and consolidated financial statements which had been audited by Deloitte & Touche accountants, Yu, Hung-Bin and Kenny Hong. Those financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company.

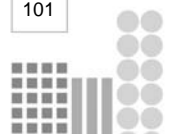
In accordance with Article 219 of the company law, the above financial statements, consolidated business reports, consolidated financial statements of affiliated enterprises and resolution for allocation of surplus profit have been further examined as being correct and accurate by the supervisors of the Company.

Walsin Lihwa Corporation

Supervisors : Chu, Wen-Yuan

朱文元

Mar. 5, 2014



## Supervisors' Report

The Board of Directors have prepared and submitted to us the Company's 2013 financial statements, and consolidated financial statements which had been audited by Deloitte & Touche accountants, Yu, Hung-Bin and Kenny Hong. Those financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company.

In accordance with Article 219 of the company law, the above financial statements, consolidated business reports, consolidated financial statements of affiliated enterprises and resolution for allocation of surplus profit have been further examined as being correct and accurate by the supervisors of the Company.

Walsin Lihwa Corporation

Supervisors :  
Walsin Technology Corp.



Representative: Chu, Yeu-Yuh

A handwritten signature in black ink, consisting of three characters: 朱, 有, 義 (Zhu, You, Yi).

Mar. 10, 2014

## 4. Financial Statements of Recent Years

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Walsin Lihwa Corporation

We have audited the accompanying consolidated balance sheets of Walsin Lihwa Corporation and its subsidiaries (the "Company") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The financial statements of certain subsidiaries included in the consolidated financial statements as of December 31, 2013, December 31, 2012 and January 1, 2012 and for the years ended December 31, 2013 and 2012 were audited by other independent auditors. Our opinion, insofar as it relates to such subsidiaries, is based solely on the reports of other auditors. The total assets of such subsidiaries amounted to NT\$8,238,145 thousand, NT\$6,942,403 thousand and NT\$4,352,612 thousand which constituted 7.26%, 6.39% and 3.46% of the consolidated total assets as of December 31, 2013, December 31, 2012 and January 1, 2012, and the total net operating revenues amounted to NT\$5,462,231 thousand and NT\$3,701,373 thousand which constituted 3.67% and 2.35% of the consolidated total net operating revenue for the years ended December 31, 2013 and 2012. The financial statements as of December 31, 2013, December 31, 2012 and January 1, 2012 and for the years ended December 31, 2013 and 2012 of certain equity-method investees were audited by other independent auditors. Our opinion, insofar as it relates to such investments, is based solely on the reports of other auditors. The investments in such investees amounted to NT\$339,780 thousand, NT\$331,307 thousand and NT\$1,220,116 thousand which constituted 0.30%, 0.30% and 0.97% of the consolidated total assets as of December 31, 2013, December 31, 2012 and January 1, 2012, and the investment loss amounted to NT\$254 thousand and NT\$112,287 thousand for the years ended December 31, 2013 and 2012.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2013, December 31, 2012 and January 1, 2012, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Walsin Lihwa Corporation as of and for the years ended December 31, 2013 and 2012 on which we have issued an unqualified-modified report.

Our audits also comprehended the translation of the 2013 and 2012 New Taiwan dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 4. Such U.S. dollar amounts are presented solely for the convenience of readers.

March 5, 2014

Notice to Readers

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

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



WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(In Thousands of New Taiwan Dollars, Except Par Value)

| ASSETS  | December 31, 2013     |            | December 31, 2012     |            | January 1, 2012       |            | LIABILITIES AND EQUITY   | December 31, 2013     |            | December 31, 2012     |            | January 1, 2012       |            |
|---|-----------------------|------------|-----------------------|------------|-----------------------|------------|--|-----------------------|------------|-----------------------|------------|-----------------------|------------|
|   | Amount                | %          | Amount                | %          | Amount                | %          |  | Amount                | %          | Amount                | %          | Amount                | %          |
| <b>CURRENT ASSETS</b>   |                       |            |                       |            |                       |            | <b>CURRENT LIABILITIES</b>   |                       |            |                       |            |                       |            |
| Cash and cash equivalents (Notes 4 and 6)   | \$ 7,556,082          | 7          | \$ 6,060,115          | 6          | \$ 12,939,836         | 10         | Short-term borrowings (Note 19)  | \$ 9,614,797          | 9          | \$ 11,772,817         | 11         | \$ 12,378,037         | 10         |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7)     | 55,430                | -          | 50,191                | -          | 12,615                | -          | Short-term bills payable (Note 19)   | -                     | -          | 95,956                | -          | -                     | -          |
| Available-for-sale financial assets - current (Notes 4 and 8)                       | -                     | -          | 4,413                 | -          | 4,782                 | -          | Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)   | -                     | -          | 4,529                 | -          | 69,632                | -          |
| Notes receivable (Notes 4 and 10)   | 7,943,404             | 7          | 5,407,147             | 5          | 7,532,927             | 6          | Derivative financial liabilities for hedging - current (Notes 4 and 9)                 | -                     | -          | 287                   | -          | 46,953                | -          |
| Trade receivables (Notes 4 and 10)  | 9,434,396             | 8          | 10,714,589            | 10         | 9,009,214             | 7          | Notes payable  | 709,311               | 1          | 907,770               | 1          | 939,907               | 1          |
| Finance lease receivables (Note 11)   | 69,379                | -          | 55,590                | -          | 17,786                | -          | Trade payables   | 6,103,919             | 5          | 5,037,441             | 5          | 9,524,903             | 8          |
| Other receivables   | 796,544               | 1          | 503,293               | -          | 1,906,577             | 2          | Current tax liabilities (Notes 4 and 24)   | 173,230               | -          | 923,755               | 1          | 430,867               | -          |
| Inventories (Notes 4 and 12)  | 21,061,176            | 19         | 20,744,591            | 19         | 29,381,283            | 23         | Other payables   | 3,373,315             | 3          | 3,829,810             | 3          | 2,646,433             | 2          |
| Prepayments for lease (Note 18)   | 32,150                | -          | 30,379                | -          | 20,050                | -          | Liabilities directly associated with non-current assets held for sale (Notes 4 and 13) | 952,803               | 1          | -                     | -          | -                     | -          |
| Non-current assets held for sale (Notes 4 and 13)                                   | 3,955,006             | 3          | 33,676                | -          | -                     | -          | Advance receipts on real estate (Note 12)  | 4,694,783             | 4          | -                     | -          | 2,931,938             | 2          |
| Other financial assets (Note 6)   | 797,957               | 1          | 649,281               | 1          | 704,530               | 1          | Current portion of long-term borrowings (Note 19)                                      | 9,068,283             | 8          | 126,174               | -          | 27,134,125            | 22         |
| Other current assets  | 1,164,719             | 1          | 1,691,766             | 1          | 2,124,689             | 2          | Other current liabilities (Note 24)  | 1,172,828             | 1          | 1,233,362             | 1          | 1,360,484             | 1          |
| Total current assets  | 52,866,243            | 47         | 45,945,031            | 42         | 63,654,289            | 51         | Total current liabilities  | 35,863,269            | 32         | 23,931,901            | 22         | 57,463,279            | 46         |
| <b>NON-CURRENT ASSETS</b>   |                       |            |                       |            |                       |            | <b>NON-CURRENT LIABILITIES</b>   |                       |            |                       |            |                       |            |
| Financial assets at fair value through profit or loss - non-current (Notes 4 and 7) | -                     | -          | -                     | -          | 13,849                | -          | Long-term borrowings (Note 19)   | 12,103,582            | 11         | 19,589,042            | 18         | 1,106,077             | 1          |
| Available-for-sale financial assets - non-current (Notes 4 and 8)                   | 3,212,430             | 3          | 1,265,444             | 1          | 1,048,561             | 1          | Deferred tax liabilities non-current (Notes 4 and 24)                                  | 356,242               | -          | 320,538               | -          | 338,230               | -          |
| Derivative financial assets for hedging - non-current (Notes 4 and 9)               | -                     | -          | -                     | -          | 3,571                 | -          | Long-term accounts payable   | 70,474                | -          | 74,574                | -          | 39,769                | -          |
| Held-to-maturity financial assets - non-current (Note 4)                            | -                     | -          | -                     | -          | 235,080               | -          | Accrued pension liabilities (Note 20)  | 1,222,346             | 1          | 1,355,380             | 1          | 1,336,104             | 1          |
| Financial assets measured at cost - non-current (Notes 4 and 14)                    | 1,396,821             | 1          | 1,548,538             | 2          | 2,587,444             | 2          | Other non-current liabilities  | 1,595,151             | 1          | 1,483,996             | 2          | 1,407,297             | 1          |
| Investment accounted for using equity method (Notes 4 and 15)                       | 16,894,103            | 15         | 17,131,250            | 16         | 18,212,908            | 14         | Total non-current liabilities  | 15,347,795            | 13         | 22,823,530            | 21         | 4,227,477             | 3          |
| Property, plant and equipment (Notes 4 and 16)                                      | 21,635,479            | 19         | 25,844,974            | 24         | 24,896,260            | 20         | Total liabilities  | 51,211,064            | 45         | 46,755,431            | 43         | 61,690,756            | 49         |
| Investments properties (Notes 4 and 17)   | 10,952,192            | 10         | 10,835,517            | 10         | 10,064,674            | 8          | <b>EQUITY ATTRIBUTABLE TO OWNERS OF WLC</b>  |                       |            |                       |            |                       |            |
| Other intangible assets   | 199,178               | -          | 191,401               | -          | 187,495               | -          | Share capital (Note 21)  | 35,760,002            | 31         | 36,160,002            | 33         | 36,160,002            | 29         |
| Deferred tax assets - non-current (Notes 4 and 24)                                  | 1,471,593             | 1          | 1,133,781             | 1          | 1,540,188             | 1          | Capital surplus (Note 21)  | 15,629,054            | 14         | 15,742,724            | 14         | 15,724,835            | 13         |
| Refundable deposits   | 325,085               | -          | 417,041               | -          | 511,582               | -          | Retained earnings (Note 21)  | -                     | -          | -                     | -          | -                     | -          |
| Long-term finance lease receivables (Note 11)                                       | 2,653,354             | 2          | 1,905,899             | 2          | 778,842               | 1          | Legal reserve  | 2,438,101             | 2          | 5,424,527             | 5          | 5,424,527             | 4          |
| Prepayment for investments  | -                     | -          | -                     | -          | 6,006                 | -          | Special reserve  | 3,507,455             | 3          | 1,136,328             | 1          | 3,859,364             | 3          |
| Long-term prepayments for lease (Note 18)   | 1,194,362             | 1          | 1,536,079             | 1          | 1,632,457             | 1          | Unappropriated earnings  | 1,813,125             | 2          | 3,856,576             | 4          | 4,598,572             | 4          |
| Other non-current assets  | 607,501               | 1          | 867,374               | 1          | 606,338               | 1          | Total retained earnings  | 7,758,681             | 7          | 10,417,431            | 10         | 13,882,463            | 11         |
| Total non-current assets  | 60,542,098            | 53         | 62,677,298            | 58         | 62,325,255            | 49         | Other equity   |                       |            |                       |            |                       |            |
|   |                       |            |                       |            |                       |            | Exchange difference on translating foreign operations                                  | 317,266               | -          | (1,478,713)           | (1)        | -                     | -          |
|   |                       |            |                       |            |                       |            | Unrealized gain (loss) on available-for-sale financial assets                          | 506,269               | 1          | (2,136,988)           | (2)        | (2,518,591)           | (2)        |
|   |                       |            |                       |            |                       |            | Cash flow hedges   | -                     | -          | (287)                 | -          | (62,004)              | -          |
|   |                       |            |                       |            |                       |            | Total equity   | 823,535               | 1          | (3,615,988)           | (3)        | (2,580,595)           | (2)        |
|   |                       |            |                       |            |                       |            | Treasury shares (Notes 4 and 21)   | -                     | -          | (1,055,961)           | (1)        | (769,842)             | (1)        |
|   |                       |            |                       |            |                       |            | Total equity attributable to owners of WLC   | 59,971,272            | 53         | 57,648,208            | 53         | 62,416,863            | 50         |
|   |                       |            |                       |            |                       |            | <b>NON-CONTROLLING INTERESTS</b>   |                       |            |                       |            |                       |            |
|   |                       |            |                       |            |                       |            | Total equity   | 62,197,277            | 55         | 61,866,898            | 57         | 64,288,788            | 51         |
| <b>TOTAL</b>  | <b>\$ 113,408,341</b> | <b>100</b> | <b>\$ 108,622,329</b> | <b>100</b> | <b>\$ 125,979,544</b> | <b>100</b> | <b>TOTAL</b>   | <b>\$ 113,408,341</b> | <b>100</b> | <b>\$ 108,622,329</b> | <b>100</b> | <b>\$ 125,979,544</b> | <b>100</b> |

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

(With Deloitte & Touche auditors' report dated March 5, 2014)

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(In Thousands of U.S. Dollars, Except Par Value)

| ASSETS  | December 31, 2013   |            | December 31, 2012   |            | January 1, 2012     |            | LIABILITIES AND STOCKHOLDERS'  | December 31, 2013   |            | December 31, 2012   |            | January 1, 2012     |            |
|---|---------------------|------------|---------------------|------------|---------------------|------------|--|---------------------|------------|---------------------|------------|---------------------|------------|
|   | Amount              | %          | Amount              | %          | Amount              | %          |  | Amount              | %          | Amount              | %          | Amount              | %          |
| <b>CURRENT ASSETS</b>   |                     |            |                     |            |                     |            | <b>CURRENT LIABILITIES</b>   |                     |            |                     |            |                     |            |
| Cash and cash equivalents (Notes 4 and 6)   | \$ 253,517          | 7          | \$ 203,325          | 6          | \$ 434,150          | 10         | Short-term borrowings (Note 19)  | \$ 322,590          | 9          | \$ 394,995          | 11         | \$ 415,301          | 10         |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7)     | 1,860               | -          | 1,684               | -          | 423                 | -          | Short-term bills payable (Note 19)   | -                   | -          | 3,219               | -          | -                   | -          |
| Available-for-sale financial assets - current (Notes 4 and 8)                       | -                   | -          | 148                 | -          | 160                 | -          | Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)   | -                   | -          | 152                 | -          | 2,336               | -          |
| Notes receivable (Notes 4 and 10)   | 266,512             | 7          | 181,417             | 5          | 252,740             | 6          | Derivative financial liabilities for hedging - current (Notes 4 and 9)                 | -                   | -          | 10                  | -          | 1,575               | -          |
| Trade receivables (Notes 4 and 10)  | 316,537             | 8          | 359,490             | 10         | 302,272             | 7          | Notes payable  | 23,798              | 1          | 30,457              | 1          | 31,535              | 1          |
| Finance lease receivables (Note 11)   | 2,328               | -          | 1,865               | -          | 597                 | -          | Trade payables   | 204,795             | 5          | 169,013             | 5          | 319,574             | 8          |
| Other receivables   | 26,725              | 1          | 16,886              | -          | 63,968              | 2          | Current tax liabilities (Notes 4 and 24)   | 5,812               | -          | 30,993              | 1          | 14,456              | -          |
| Inventories (Notes 4 and 12)  | 706,632             | 19         | 696,010             | 19         | 985,784             | 23         | Other payables   | 113,180             | 3          | 128,496             | 3          | 88,792              | 2          |
| Prepayments for lease (Note 18)   | 1,079               | -          | 1,019               | -          | 673                 | -          | Liabilities directly associated with non-current assets held for sale (Notes 4 and 13) | 31,968              | 1          | -                   | -          | -                   | -          |
| Non-current assets held for sale (Notes 4 and 13)                                   | 132,696             | 3          | 1,130               | -          | -                   | -          | Advance receipts on real estate (Note 12)  | 157,517             | 4          | -                   | -          | 98,371              | 2          |
| Other financial assets (Note 6)   | 26,773              | 1          | 21,784              | 1          | 23,638              | 1          | Current portion of long-term borrowings (Note 19)                                      | 304,254             | 8          | 4,233               | -          | 910,388             | 22         |
| Other current assets  | 39,078              | 1          | 56,763              | 1          | 71,287              | 2          | Other current liabilities (Note 24)  | 39,350              | 1          | 41,381              | 1          | 45,646              | 1          |
| Total current assets  | 1,773,737           | 47         | 1,541,521           | 42         | 2,135,692           | 51         | Total current liabilities  | 1,203,264           | 32         | 802,949             | 22         | 1,927,974           | 46         |
| <b>NON-CURRENT ASSETS</b>   |                     |            |                     |            |                     |            | <b>NON-CURRENT LIABILITIES</b>   |                     |            |                     |            |                     |            |
| Financial assets at fair value through profit or loss - non-current (Notes 4 and 7) | -                   | -          | -                   | -          | 465                 | -          | Long-term borrowings (Note 19)   | 406,092             | 11         | 657,240             | 18         | 37,110              | 1          |
| Available-for-sale financial assets - non-current (Notes 4 and 8)                   | 107,782             | 3          | 42,457              | 1          | 35,181              | 1          | Deferred tax liabilities - non-current (Notes 4 and 24)                                | 11,952              | -          | 10,755              | -          | 11,348              | -          |
| Derivative financial assets for hedging - non-current (Notes 4 and 9)               | -                   | -          | -                   | -          | 120                 | -          | Long-term accounts payable   | 2,365               | -          | 2,502               | -          | 1,334               | -          |
| Held-to-maturity financial assets - non-current (Note 4)                            | -                   | -          | -                   | -          | 7,887               | -          | Accrued pension liabilities (Note 20)  | 41,011              | 1          | 45,475              | 1          | 44,828              | 1          |
| Financial assets measured at cost - non-current (Notes 4 and 14)                    | 46,865              | 1          | 51,956              | 2          | 86,812              | 2          | Other non-current liabilities  | 53,520              | 1          | 49,790              | 2          | 47,218              | 1          |
| Investment accounted for using equity method (Notes 4 and 15)                       | 566,821             | 15         | 574,778             | 16         | 611,069             | 14         | Total non-current liabilities  | 514,940             | 13         | 765,762             | 21         | 141,838             | 3          |
| Property, plant and equipment (Notes 4 and 16)                                      | 725,901             | 19         | 867,136             | 24         | 835,305             | 20         | Total liabilities  | 1,718,204           | 45         | 1,568,711           | 43         | 2,069,812           | 49         |
| Investments properties (Notes 4 and 17)   | 367,462             | 10         | 363,547             | 10         | 337,684             | 8          | <b>EQUITY ATTRIBUTABLE TO OWNERS OF WLC</b>  |                     |            |                     |            |                     |            |
| Other intangible assets   | 6,683               | -          | 6,422               | -          | 6,291               | -          | Share capital (Note 21)  | 1,199,799           | 31         | 1,213,219           | 33         | 1,213,219           | 29         |
| Deferred tax assets - non-current (Notes 4 and 24)                                  | 49,374              | 1          | 38,040              | 1          | 51,675              | 1          | Capital surplus (Note 21)  | 524,377             | 14         | 528,191             | 14         | 527,591             | 13         |
| Refundable deposits   | 10,907              | -          | 13,992              | -          | 17,164              | -          | Retained earnings (Note 21)  |                     |            |                     |            |                     |            |
| Long-term finance lease receivables (Note 11)                                       | 89,024              | 2          | 63,946              | 2          | 26,131              | 1          | Legal reserve  | 81,802              | 2          | 182,001             | 5          | 182,001             | 4          |
| Prepayment for investments  | -                   | -          | -                   | -          | 202                 | -          | Special reserve  | 117,680             | 3          | 38,125              | 1          | 129,487             | 3          |
| Long-term prepayments for lease (Note 18)   | 40,073              | 1          | 51,538              | 1          | 54,771              | 1          | Unappropriated earnings  | 60,833              | 2          | 129,394             | 4          | 154,288             | 4          |
| Other non-current assets  | 20,382              | 1          | 29,100              | 1          | 20,343              | 1          | Total retained earnings  | 260,315             | 7          | 349,520             | 10         | 465,776             | 11         |
| Total non-current assets  | 2,031,274           | 53         | 2,102,912           | 58         | 2,091,100           | 49         | Other equity   |                     |            |                     |            |                     |            |
|   |                     |            |                     |            |                     |            | Exchange difference on translating foreign operations                                  | 10,645              | -          | (49,613)            | (1)        | -                   | -          |
|   |                     |            |                     |            |                     |            | Unrealized gain (loss) on available-for-sale financial assets                          | 16,986              | 1          | (71,699)            | (2)        | (84,502)            | (2)        |
|   |                     |            |                     |            |                     |            | Cash flow hedges   | -                   | -          | (10)                | -          | (2,081)             | -          |
|   |                     |            |                     |            |                     |            | Total equity   | 27,631              | 1          | (121,322)           | (3)        | (86,583)            | (2)        |
|   |                     |            |                     |            |                     |            | Treasury shares (Notes 4 and 21)   | -                   | -          | (35,429)            | (1)        | (25,829)            | (1)        |
|   |                     |            |                     |            |                     |            | Total equity attributable to owners of WLC   | 2,012,122           | 53         | 1,934,179           | 53         | 2,094,174           | 50         |
|   |                     |            |                     |            |                     |            | <b>NON-CONTROLLING INTERESTS</b>   |                     |            |                     |            |                     |            |
|   |                     |            |                     |            |                     |            |  | 74,685              | 2          | 141,543             | 4          | 62,806              | 1          |
|   |                     |            |                     |            |                     |            | Total equity   | 2,086,807           | 55         | 2,075,722           | 57         | 2,156,980           | 51         |
| <b>TOTAL</b>  | <b>\$ 3,805,011</b> | <b>100</b> | <b>\$ 3,644,433</b> | <b>100</b> | <b>\$ 4,226,792</b> | <b>100</b> | <b>TOTAL</b>   | <b>\$ 3,805,011</b> | <b>100</b> | <b>\$ 3,644,433</b> | <b>100</b> | <b>\$ 4,226,792</b> | <b>100</b> |

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

(With Deloitte &amp; Touche auditors' report dated March 5, 2014)

# WALSIN LIHWA CORPORATION AND SUBSIDIARIES

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

|   | For the Years Ended December 31 |             |                      |             |
|---|---------------------------------|-------------|----------------------|-------------|
|   | 2013                            |             | 2012                 |             |
|   | Amount                          | %           | Amount               | %           |
| OPERATING REVENUE (Notes 4 and 22)                        | \$ 148,634,957                  | 100         | \$ 157,463,051       | 100         |
| OPERATING COSTS (Notes 4 and 12)                          | <u>(144,003,799)</u>            | <u>(97)</u> | <u>(149,923,971)</u> | <u>(95)</u> |
| GROSS PROFIT  | <u>4,631,158</u>                | <u>3</u>    | <u>7,539,080</u>     | <u>5</u>    |
| OPERATING EXPENSES  |                                 |             |                      |             |
| Selling and marketing expenses                            | 1,807,680                       | 1           | 1,800,250            | 1           |
| General and administrative expenses                       | 2,571,429                       | 2           | 3,005,104            | 2           |
| Research and development expenses                         | <u>206,852</u>                  | <u>-</u>    | <u>450,895</u>       | <u>-</u>    |
| Total operating expenses                                  | <u>4,585,961</u>                | <u>3</u>    | <u>5,256,249</u>     | <u>3</u>    |
| PROFIT FROM OPERATIONS                                    | <u>45,197</u>                   | <u>-</u>    | <u>2,282,831</u>     | <u>2</u>    |
| NON-OPERATING INCOME AND EXPENSES                         |                                 |             |                      |             |
| Interest income   | 408,334                         | -           | 459,489              | -           |
| Dividend income   | 32,835                          | -           | 55,353               | -           |
| Other income (Note 23)                                    | 743,276                         | -           | 221,810              | -           |
| Gain on disposal of property, plant and equipment         | 507,196                         | -           | 11,226               | -           |
| Foreign exchange gain, net                                | 598,678                         | -           | 149,787              | -           |
| Gain on valuation of financial assets and liabilities     | 17,029                          | -           | 88,661               | -           |
| Impairment loss (Note 23)                                 | (2,538,030)                     | (2)         | (2,669,437)          | (2)         |
| Other expense   | (669,230)                       | -           | (185,616)            | -           |
| Interest expense  | (614,601)                       | -           | (617,659)            | -           |
| Loss on disposal of investments (Note 23)                 | (595,820)                       | -           | (730,837)            | -           |
| Share of loss of associates under equity method           | <u>(251,001)</u>                | <u>-</u>    | <u>(829,130)</u>     | <u>(1)</u>  |
| Total non-operating income and expenses                   | <u>(2,361,334)</u>              | <u>(2)</u>  | <u>(4,046,353)</u>   | <u>(3)</u>  |
| LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS         | (2,316,137)                     | (2)         | (1,763,522)          | (1)         |
| INCOME TAX EXPENSE (Notes 4 and 24)                       | <u>(115,285)</u>                | <u>-</u>    | <u>(1,361,317)</u>   | <u>(1)</u>  |
| NET LOSS FOR THE YEAR                                     | (2,431,422)                     | (2)         | (3,124,839)          | (2)         |
| OTHER COMPREHENSIVE INCOME                                |                                 |             |                      |             |
| Exchange gain (loss) on translation of foreign operations | 1,760,547                       | 1           | (1,540,440)          | (1)         |
| Unrealized gain on available-for-sale financial assets    | 2,643,375                       | 2           | 390,226              | -           |

(Continued)

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

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

|   | For the Years Ended December 31 |            |                       |            |
|---|---------------------------------|------------|-----------------------|------------|
|   | 2013                            |            | 2012                  |            |
|   | Amount                          | %          | Amount                | %          |
| Cash flow hedges gain   | \$ 287                          | -          | \$ 61,717             | -          |
| Actuarial gain and loss arising from defined benefit plans        | 82,406                          | -          | (26,525)              | -          |
| Share of other comprehensive income (loss) of associates ventures | <u>3,350</u>                    | -          | <u>(53,554)</u>       | -          |
| Other comprehensive income (loss) for the period                  | <u>4,489,965</u>                | <u>3</u>   | <u>(1,168,576)</u>    | <u>(1)</u> |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>             | <u>\$ 2,058,543</u>             | <u>1</u>   | <u>\$ (4,293,415)</u> | <u>(3)</u> |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>                         |                                 |            |                       |            |
| Owners of the parent  | \$ (2,688,696)                  | (2)        | \$ (3,186,541)        | (2)        |
| Non-controlling interest  | <u>257,274</u>                  | -          | <u>61,702</u>         | -          |
|   | <u>\$ (2,431,422)</u>           | <u>(2)</u> | <u>\$ (3,124,839)</u> | <u>(2)</u> |
| <b>COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>               |                                 |            |                       |            |
| Owners of the parent  | \$ 1,836,583                    | 1          | \$ (4,302,013)        | (3)        |
| Non-controlling interest  | <u>221,960</u>                  | -          | <u>8,598</u>          | -          |
|   | <u>\$ 2,058,543</u>             | <u>1</u>   | <u>\$ (4,293,415)</u> | <u>(3)</u> |
| <b>LOSS PER SHARE (Notes 4 and 25)</b>                            |                                 |            |                       |            |
| Basic   | <u>\$ (0.77)</u>                |            | <u>\$ (0.90)</u>      |            |

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

(With Deloitte & Touche auditors' report dated March 5, 2014)

(Concluded)

# WALSIN LIHWA CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of U.S. Dollars, Except Loss Per Share)

|   | For the Years Ended December 31 |             |                    |             |
|---|---------------------------------|-------------|--------------------|-------------|
|   | 2013                            |             | 2012               |             |
|   | Amount                          | %           | Amount             | %           |
| OPERATING REVENUE (Notes 4 and 22)                        | \$ 4,986,914                    | 100         | \$ 5,283,109       | 100         |
| OPERATING COSTS (Notes 4 and 12)                          | <u>(4,831,532)</u>              | <u>(97)</u> | <u>(5,030,163)</u> | <u>(95)</u> |
| GROSS PROFIT  | <u>155,382</u>                  | <u>3</u>    | <u>252,946</u>     | <u>5</u>    |
| OPERATING EXPENSES  |                                 |             |                    |             |
| Selling and marketing expenses                            | 60,650                          | 1           | 60,401             | 1           |
| General and administrative expenses                       | 86,275                          | 2           | 100,825            | 2           |
| Research and development expenses                         | <u>6,940</u>                    | <u>-</u>    | <u>15,128</u>      | <u>-</u>    |
| Total operating expenses                                  | <u>153,865</u>                  | <u>3</u>    | <u>176,354</u>     | <u>3</u>    |
| PROFIT FROM OPERATIONS                                    | <u>1,517</u>                    | <u>-</u>    | <u>76,592</u>      | <u>2</u>    |
| NON-OPERATING INCOME AND EXPENSES                         |                                 |             |                    |             |
| Interest income   | 13,700                          | -           | 15,417             | -           |
| Dividend income   | 1,102                           | -           | 1,857              | -           |
| Other income (Note 23)                                    | 24,938                          | -           | 7,442              | -           |
| Gain on disposal of property, plant and equipment         | 17,017                          | -           | 377                | -           |
| Foreign exchange gain (loss), net                         | 20,088                          | -           | 5,024              | -           |
| Gain on valuation of financial assets and liabilities     | 571                             | -           | 2,975              | -           |
| Impairment loss (Note 23)                                 | (85,155)                        | (2)         | (89,563)           | (2)         |
| Other expense   | (22,454)                        | -           | (6,228)            | -           |
| Interest expense  | (20,621)                        | -           | (20,723)           | -           |
| Loss on disposal of investments (Note 23)                 | (19,991)                        | -           | (24,521)           | -           |
| Share of profit of associates under equity method         | <u>(8,421)</u>                  | <u>-</u>    | <u>(27,818)</u>    | <u>(1)</u>  |
| Total non-operating income and expenses                   | <u>(79,226)</u>                 | <u>(2)</u>  | <u>(135,761)</u>   | <u>(3)</u>  |
| LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS         | (77,709)                        | (2)         | (59,169)           | (1)         |
| INCOME TAX EXPENSE (Notes 4 and 24)                       | <u>(3,869)</u>                  | <u>-</u>    | <u>(45,674)</u>    | <u>(1)</u>  |
| NET LOSS FOR THE YEAR                                     | (81,578)                        | (2)         | (104,843)          | (2)         |
| OTHER COMPREHENSIVE INCOME                                |                                 |             |                    |             |
| Exchange gain (loss) on translation of foreign operations | 59,069                          | 1           | (51,684)           | (1)         |
| Unrealized gain on available-for-sale financial assets    | 88,689                          | 2           | 13,093             | -           |

(Continued)

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of U.S. Dollars, Except Loss Per Share)

|   | For the Years Ended December 31 |            |                     |            |
|---|---------------------------------|------------|---------------------|------------|
|   | 2013                            |            | 2012                |            |
|   | Amount                          | %          | Amount              | %          |
| Cash flow hedges gain   | \$ 10                           | -          | \$ 2,071            | -          |
| Actuarial gain and loss arising from defined benefit plans        | 2,765                           | -          | (890)               | -          |
| Share of other comprehensive income (loss) of associates ventures | <u>112</u>                      | <u>-</u>   | <u>(1,797)</u>      | <u>-</u>   |
| Other comprehensive income (loss) for the period                  | <u>150,645</u>                  | <u>3</u>   | <u>(39,207)</u>     | <u>(1)</u> |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>             | <u>\$ 69,067</u>                | <u>1</u>   | <u>\$ (144,050)</u> | <u>(3)</u> |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>                         |                                 |            |                     |            |
| Owners of the parent  | \$ (90,210)                     | (2)        | \$ (106,913)        | (2)        |
| Non-controlling interest  | <u>8,632</u>                    | <u>-</u>   | <u>2,070</u>        | <u>-</u>   |
|   | <u>\$ (81,578)</u>              | <u>(2)</u> | <u>\$ (104,843)</u> | <u>(2)</u> |
| <b>COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>               |                                 |            |                     |            |
| Owners of the parent  | \$ 61,620                       | 1          | \$ (144,339)        | (3)        |
| Non-controlling interest  | <u>7,447</u>                    | <u>-</u>   | <u>289</u>          | <u>-</u>   |
|   | <u>\$ 69,067</u>                | <u>1</u>   | <u>\$ (144,050)</u> | <u>(3)</u> |
| <b>LOSS PER SHARE (Notes 4 and 25)</b>                            |                                 |            |                     |            |
| Basic   | <u>\$ (0.03)</u>                |            | <u>\$ (0.03)</u>    |            |

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

(With Deloitte & Touche auditors' report dated March 5, 2014)

(Concluded)

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

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

|   | Equity Attributable to Owners of WLC |                 |                   |                 |                         |  |  |                  |                 |               |              | Non-controlling Interests | Total Equity |
|---|--------------------------------------|-----------------|-------------------|-----------------|-------------------------|--|--|------------------|-----------------|---------------|--------------|---------------------------|--------------|
|   | Share Capital                        | Capital Surplus | Retained Earnings |                 |                         | Exchange Differences on Translating Foreign Operations | Other Equity Unrealized Gain (Loss) on Available-for-sale Financial Assets | Cash Flow Hedges | Treasury Shares | Total         |              |                           |              |
|   |                                      |                 | Legal Reserve     | Special Reserve | Unappropriated Earnings |  |  |                  |                 |               |              |                           |              |
| BALANCE AT JANUARY 1, 2012  | \$ 36,160,002                        | \$ 15,724,835   | \$ 5,424,527      | \$ 3,859,364    | \$ 4,598,572            | \$ -   | \$ (2,518,591)   | \$ (62,004)      | \$ (769,842)    | \$ 62,416,863 | \$ 1,871,925 | \$ 64,288,788             |              |
| Reversal of special reserve   | -                                    | -               | -                 | (2,354,409)     | 2,354,409               | -  | -  | -                | -               | -             | -            | -                         |              |
| Special reserve used to offset a deficit  | -                                    | -               | -                 | (368,627)       | 368,627                 | -  | -  | -                | -               | -             | -            | -                         |              |
| Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of | -                                    | -               | -                 | -               | (198,412)               | -  | -  | -                | -               | (198,412)     | -            | (198,412)                 |              |
| Net profit (loss) for the year ended December 31, 2012  | -                                    | -               | -                 | -               | (3,186,541)             | -  | -  | -                | -               | (3,186,541)   | 61,702       | (3,124,839)               |              |
| Other comprehensive income (loss) for the year ended December 31, 2012, net of income tax                 | -                                    | -               | -                 | -               | (80,079)                | (1,478,713)  | 381,603  | 61,717           | -               | (1,115,472)   | (53,104)     | (1,168,576)               |              |
| Total comprehensive income (loss) for the year ended December 31, 2012                                    | -                                    | -               | -                 | -               | (3,266,620)             | (1,478,713)  | 381,603  | 61,717           | -               | (4,302,013)   | 8,598        | (4,293,415)               |              |
| Adjustments on issuance costs of global depository shares   | -                                    | 17,897          | -                 | -               | -                       | -  | -  | -                | -               | 17,897        | -            | 17,897                    |              |
| Others  | -                                    | (8)             | -                 | -               | -                       | -  | -  | -                | -               | (8)           | -            | (8)                       |              |
| Common shares held by subsidiaries (Note 21)  | -                                    | -               | -                 | -               | -                       | -  | -  | -                | (286,119)       | (286,119)     | -            | (286,119)                 |              |
| Changes in non-controlling interests  | -                                    | -               | -                 | -               | -                       | -  | -  | -                | -               | -             | 2,338,167    | 2,338,167                 |              |
| BALANCE, DECEMBER 31, 2012  | 36,160,002                           | 15,742,724      | 5,424,527         | 1,136,328       | 3,856,576               | (1,478,713)  | (2,136,988)  | (287)            | (1,055,961)     | 57,648,208    | 4,218,690    | 61,866,898                |              |
| Special reserve under Rule No. 1010012865 issued by the FSC   | -                                    | -               | -                 | 2,933,130       | (2,933,130)             | -  | -  | -                | -               | -             | -            | -                         |              |
| Reversal of special reserve   | -                                    | -               | -                 | 794,296         | (794,296)               | -  | -  | -                | -               | -             | -            | -                         |              |
| Legal reserve used to offset a deficit  | -                                    | -               | (2,986,426)       | -               | 2,986,426               | -  | -  | -                | -               | -             | -            | -                         |              |
| Special reserve used to offset a deficit  | -                                    | -               | -                 | (1,136,328)     | 1,136,328               | -  | -  | -                | -               | -             | -            | -                         |              |
| Disposal of investment accounted for using equity method  | -                                    | -               | -                 | (219,971)       | 219,971                 | -  | -  | -                | -               | -             | -            | -                         |              |
| Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of | -                                    | -               | -                 | -               | (30,826)                | -  | -  | -                | -               | (30,826)      | -            | (30,826)                  |              |
| Change in capital surplus from investments in associates accounted for using equity method                | -                                    | -               | -                 | -               | (24,984)                | -  | -  | -                | -               | (24,984)      | -            | (24,984)                  |              |
| Net profit (loss) for the year ended December 31, 2013  | -                                    | -               | -                 | -               | (2,688,696)             | -  | -  | -                | -               | (2,688,696)   | 257,274      | (2,431,422)               |              |
| Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax                 | -                                    | -               | -                 | -               | 85,756                  | 1,795,979  | 2,643,257  | 287              | -               | 4,525,279     | (35,314)     | 4,489,965                 |              |
| Total comprehensive income (loss) for the year ended December 31, 2013                                    | -                                    | -               | -                 | -               | (2,602,940)             | 1,795,979  | 2,643,257  | 287              | -               | 1,836,583     | 221,960      | 2,058,543                 |              |
| Retirement of treasury stock  | (400,000)                            | (113,663)       | -                 | -               | -                       | -  | -  | -                | 513,663         | -             | -            | -                         |              |
| Common shares held by subsidiaries (Note 21)  | -                                    | -               | -                 | -               | -                       | -  | -  | -                | 542,298         | 542,298       | -            | 542,298                   |              |
| Others  | -                                    | (7)             | -                 | -               | -                       | -  | -  | -                | -               | (7)           | -            | (7)                       |              |
| Changes in non-controlling interests  | -                                    | -               | -                 | -               | -                       | -  | -  | -                | -               | -             | (2,214,645)  | (2,214,645)               |              |
| BALANCE, DECEMBER 31, 2013  | \$ 35,760,002                        | \$ 15,629,054   | \$ 2,438,101      | \$ 3,507,455    | \$ 1,813,125            | \$ 317,266   | \$ 506,269   | \$ -             | \$ -            | \$ 59,971,272 | \$ 2,226,005 | \$ 62,197,277             |              |

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

(With Deloitte & Touche auditors' report dated March 5, 2014)

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(In Thousands of U.S. Dollars)

|   | Equity Attributable to Owners of WLC |                 |                   |                 |                         |  |  |                  |                 |              |           | Non-controlling Interests | Total Equity |
|---|--------------------------------------|-----------------|-------------------|-----------------|-------------------------|--|--|------------------|-----------------|--------------|-----------|---------------------------|--------------|
|   | Share Capital                        | Capital Surplus | Retained Earnings |                 |                         | Exchange Differences on Translating Foreign Operations | Other Equity Unrealized Gain (Loss) on Available-for-sale Financial Assets | Cash Flow Hedges | Treasury Shares | Total        |           |                           |              |
|   |                                      |                 | Legal Reserve     | Special Reserve | Unappropriated Earnings |  |  |                  |                 |              |           |                           |              |
| BALANCE AT JANUARY 1, 2012  | \$ 1,213,219                         | \$ 527,591      | \$ 182,001        | \$ 129,487      | \$ 154,288              | \$ -   | \$ (84,502)  | \$ (2,081)       | \$ (25,829)     | \$ 2,094,174 | \$ 62,806 | \$ 2,156,980              |              |
| Reversal of special reserve   | -                                    | -               | -                 | (78,994)        | 78,994                  | -  | -  | -                | -               | -            | -         | -                         |              |
| Special reserve used to offset a deficit  | -                                    | -               | -                 | (12,368)        | 12,368                  | -  | -  | -                | -               | -            | -         | -                         |              |
| Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of | -                                    | -               | -                 | -               | (6,656)                 | -  | -  | -                | -               | (6,656)      | -         | (6,656)                   |              |
| Net profit (loss) for the year ended December 31, 2012  | -                                    | -               | -                 | -               | (106,913)               | -  | -  | -                | -               | (106,913)    | 2,070     | (104,843)                 |              |
| Other comprehensive income (loss) for the year ended December 31, 2012, net of income tax                 | -                                    | -               | -                 | -               | (2,687)                 | (49,613)   | 12,803   | 2,071            | -               | (37,426)     | (1,781)   | (39,207)                  |              |
| Total comprehensive income (loss) for the year ended December 31, 2012                                    | -                                    | -               | -                 | -               | (109,600)               | (49,613)   | 12,803   | 2,071            | -               | (144,339)    | 289       | (144,050)                 |              |
| Adjustments on issuance costs of global depository shares   | -                                    | -               | -                 | -               | -                       | -  | -  | -                | -               | -            | -         | -                         |              |
| Others  | -                                    | -               | -                 | -               | -                       | -  | -  | -                | -               | -            | -         | -                         |              |
| Adjustments on issuance costs of global depository shares   | -                                    | 600             | -                 | -               | -                       | -  | -  | -                | -               | 600          | -         | 600                       |              |
| Common shares held by subsidiaries (Note 21)  | -                                    | -               | -                 | -               | -                       | -  | -  | -                | (9,600)         | (9,600)      | -         | (9,600)                   |              |
| Changes in non-controlling interests  | -                                    | -               | -                 | -               | -                       | -  | -  | -                | -               | -            | 78,448    | 78,448                    |              |
| BALANCE, DECEMBER 31, 2012  | 1,213,219                            | 528,191         | 182,001           | 38,125          | 129,394                 | (49,613)   | (71,699)   | (10)             | (35,429)        | 1,934,179    | 141,543   | 2,075,722                 |              |
| Special reserve under Rule No. 1010012865 issued by the FSC   | -                                    | -               | -                 | 98,411          | (98,411)                | -  | -  | -                | -               | -            | -         | -                         |              |
| Reversal of special reserve   | -                                    | -               | -                 | 26,650          | (26,650)                | -  | -  | -                | -               | -            | -         | -                         |              |
| Legal reserve used to offset a deficit  | -                                    | -               | (100,199)         | -               | 100,199                 | -  | -  | -                | -               | -            | -         | -                         |              |
| Special reserve used to offset a deficit  | -                                    | -               | -                 | (38,125)        | 38,125                  | -  | -  | -                | -               | -            | -         | -                         |              |
| Disposal of investment accounted for using equity method  | -                                    | -               | -                 | (7,381)         | 7,381                   | -  | -  | -                | -               | -            | -         | -                         |              |
| Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of | -                                    | -               | -                 | -               | (1,034)                 | -  | -  | -                | -               | (1,034)      | -         | (1,034)                   |              |
| Change in capital surplus from investments in associates accounted for using equity method                | -                                    | -               | -                 | -               | (838)                   | -  | -  | -                | -               | (838)        | -         | (838)                     |              |
| Net profit (loss) for the year ended December 31, 2013  | -                                    | -               | -                 | -               | (90,210)                | -  | -  | -                | -               | (90,210)     | 8,632     | (81,578)                  |              |
| Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax                 | -                                    | -               | -                 | -               | 2,877                   | 60,258   | 88,685   | 10               | -               | 151,830      | (1,185)   | 150,645                   |              |
| Total comprehensive income (loss) for the year ended December 31, 2013                                    | -                                    | -               | -                 | -               | (87,333)                | 60,258   | 88,685   | 10               | -               | 61,620       | 7,447     | 69,067                    |              |
| Retirement of treasury stock  | (13,420)                             | (3,814)         | -                 | -               | -                       | -  | -  | -                | 17,234          | -            | -         | -                         |              |
| Common shares held by subsidiaries (Note 21)  | -                                    | -               | -                 | -               | -                       | -  | -  | -                | 18,195          | 18,195       | -         | 18,195                    |              |
| Others  | -                                    | -               | -                 | -               | -                       | -  | -  | -                | -               | -            | -         | -                         |              |
| Changes in non-controlling interests  | -                                    | -               | -                 | -               | -                       | -  | -  | -                | -               | -            | (74,305)  | (74,305)                  |              |
| BALANCE, DECEMBER 31, 2013  | \$ 1,199,799                         | \$ 524,377      | \$ 81,802         | \$ 117,680      | \$ 60,833               | \$ 10,645  | \$ 16,986  | \$ -             | \$ -            | \$ 2,012,122 | \$ 74,685 | \$ 2,086,807              |              |

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

(With Deloitte &amp; Touche audit report dated March 5, 2014)



# WALSIN LIHWA CORPORATION AND SUBSIDIARIES

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

|   | For the Years Ended<br>December 31 |                  |
|---|------------------------------------|------------------|
|   | 2013                               | 2012             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                    |                  |
| Loss before income tax  | \$ (2,316,137)                     | \$ (1,763,522)   |
| Adjustments for:  |                                    |                  |
| Depreciation expenses   | 2,609,854                          | 2,593,034        |
| Amortization expenses   | 110,013                            | 104,801          |
| Impairment loss recognized on trade receivables   | 23,066                             | 7,902            |
| Net gain on fair value change of financial assets and liabilities<br>designated as at fair value through profit or loss | (17,029)                           | (88,661)         |
| Interest expense  | 614,601                            | 617,659          |
| Interest income   | (408,334)                          | (459,489)        |
| Dividend income   | (32,835)                           | 55,353           |
| Compensation cost of employees share options  | 6,375                              | -                |
| Share of loss of associates accounted under equity method   | 251,001                            | 829,130          |
| Gain on disposal of property, plant and equipment   | (507,196)                          | (11,226)         |
| (Gain) loss on disposal of investments  | (1,050,864)                        | 433,265          |
| Loss on disposal of investment accounted for using equity<br>method   | 1,646,684                          | 297,572          |
| Impairment loss recognized on financial assets  | 538,000                            | 1,950,920        |
| Impairment loss recognized on property, plant and equipment   | 2,000,030                          | 718,517          |
| Net gain on foreign currency exchange   | (318,312)                          | (9,117)          |
| Other non-cash items  | 2,213                              | 33,250           |
| Changes in operating assets and liabilities   |                                    |                  |
| Decrease (increase) in financial assets held for trading  | 1,040,561                          | (307,181)        |
| (Increase) decrease in notes receivable   | (2,536,257)                        | 2,125,780        |
| Decrease (increase) in trade receivables  | 1,243,338                          | (1,751,081)      |
| Increase in other receivables   | (354,684)                          | (299,052)        |
| (Increase) decrease in inventories  | (316,585)                          | 7,707,390        |
| Decrease in other current assets  | 371,329                            | 36,215           |
| Increase in other operating assets  | (165,458)                          | (63,537)         |
| Decrease in notes payable   | (198,459)                          | (32,137)         |
| Increase (decrease) in trade payables   | 1,066,478                          | (4,487,462)      |
| (Decrease) increase in other payable  | (374,463)                          | 1,178,432        |
| Decrease in accrued pension liabilities   | (133,034)                          | (19,276)         |
| Increase (decrease) in advance real estate receipts   | 4,694,783                          | (2,931,938)      |
| Decrease in other current liabilities   | (60,534)                           | (132,072)        |
| Increase in other operating liabilities   | 269,824                            | 169,101          |
| Cash generated from operations  | 7,697,969                          | 6,502,570        |
| Interest paid   | (696,885)                          | (597,714)        |
| Interest received   | 459,218                            | 936,006          |
| Dividend received from associates   | 84,860                             | 123,695          |
| Income tax paid   | (1,362,325)                        | (543,475)        |
| Net cash generated from operating activities  | <u>6,182,837</u>                   | <u>6,421,082</u> |

(Continued)

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

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

|   | For the Years Ended<br>December 31 |                     |
|---|------------------------------------|---------------------|
|   | 2013                               | 2012                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                    |                     |
| Purchase of financial assets measured at cost   | \$ (95,178)                        | \$ (281,312)        |
| Proceeds on sale of financial assets measured at cost                                     | 41,677                             | 168,527             |
| Proceeds on sale of available-for-sale financial assets                                   | 4,878                              | -                   |
| Net cash used in disposal of subsidiaries   | (1,599,157)                        | (13,957)            |
| Purchase of associates accounted under equity method                                      | (1,809,574)                        | (534,780)           |
| Proceeds from disposal of associates accounted under equity method                        | 8,800                              | 811,232             |
| Purchase of property, plant and equipment   | (2,201,644)                        | (6,297,946)         |
| Proceeds from disposal of property, plant and equipment                                   | 1,150,866                          | 285,751             |
| Proceeds from capital return of investees in financial assets carried at cost             | 25,182                             | 880                 |
| Purchase of intangible assets   | (1,386)                            | -                   |
| Proceeds from liquidation return of investment accounted for using equity method          | -                                  | 59,110              |
| Cash received for acquired subsidiaries   | -                                  | 518,486             |
| (Increase) decrease in refundable deposits  | (345,411)                          | 39,697              |
| Decrease in prepayment for lease  | 223,447                            | -                   |
| Decrease in other financial assets  | -                                  | 1,108,419           |
| Other investing activities  | (42,403)                           | (32,312)            |
| Net cash used in investing activities   | <u>(4,639,903)</u>                 | <u>(4,168,205)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                                    |                     |
| Decrease in short-term borrowings   | (2,042,129)                        | (461,702)           |
| (Decrease) increase in short-term bills payable   | (95,956)                           | 95,956              |
| Proceeds from long-term borrowings  | 1,226,808                          | -                   |
| Repayments of long-term borrowings  | -                                  | (7,899,649)         |
| Partial disposal of interest in subsidiaries without losing control                       | 278,662                            | -                   |
| Changes in non-controlling interests  | (39,949)                           | (64,788)            |
| Other financing activities  | (115,430)                          | (2,511)             |
| Net cash used in financing activities   | <u>(787,994)</u>                   | <u>(8,332,694)</u>  |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b> |                                    |                     |
|   | <u>882,707</u>                     | <u>(799,904)</u>    |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                               | 1,637,647                          | (6,879,721)         |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>                             | <u>6,060,115</u>                   | <u>12,939,836</u>   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                                   | <u>\$ 7,697,762</u>                | <u>\$ 6,060,115</u> |

(Continued)

# WALSIN LIHWA CORPORATION AND SUBSIDIARIES

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

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Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2013 and 2012:

|  | For the Years Ended<br>December 31 |                     |
|--|------------------------------------|---------------------|
|  | 2013                               | 2012                |
| Cash and cash equivalents in consolidated balance sheets             | \$ 7,556,082                       | \$ 6,060,115        |
| Cash and cash equivalents included in a disposal group held for sale | <u>141,680</u>                     | <u>-</u>            |
| Cash and cash equivalents in consolidated statements of cash flow    | <u>\$ 7,697,762</u>                | <u>\$ 6,060,115</u> |

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

(With Deloitte & Touche auditors' report dated March 5, 2014)

(Concluded)

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of U.S. Dollars)

|   | For the Years Ended<br>December 31 |                |
|---|------------------------------------|----------------|
|   | 2013                               | 2012           |
| <b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>   |                                    |                |
| Loss before income tax  | \$ (77,709)                        | \$ (59,169)    |
| Adjustments for:  |                                    |                |
| Depreciation expenses   | 87,564                             | 87,000         |
| Amortization expenses   | 3,691                              | 3,516          |
| Impairment loss recognized on trade receivables   | 774                                | 265            |
| Net gain on fair value change of financial assets and liabilities<br>designated as at fair value through profit or loss | (571)                              | (2,975)        |
| Interest expense  | 20,621                             | 20,723         |
| Interest income   | (13,700)                           | (15,417)       |
| Dividend income   | (1,102)                            | 1,857          |
| Compensation cost of employees share options  | 214                                | -              |
| Share of loss of associates accounted under equity method   | 8,421                              | 27,818         |
| Gain on disposal of property, plant and equipment   | (17,017)                           | (377)          |
| (Gain) loss on disposal of investments  | (35,258)                           | 14,537         |
| Loss on disposal of investment accounted for using equity<br>method   | 55,249                             | 9,984          |
| Impairment loss recognized on financial assets  | 18,051                             | 65,456         |
| Impairment loss recognized on property, plant and equipment   | 67,104                             | 24,107         |
| Net gain on foreign currency exchange   | (10,680)                           | (306)          |
| Other non-cash items  | 74                                 | 1,116          |
| Changes in operating assets and liabilities   |                                    |                |
| Decrease (increase) in financial assets held for trading  | 34,912                             | (10,306)       |
| (Increase) decrease in notes receivable   | (85,095)                           | 71,323         |
| Decrease (increase) in trade receivables  | 41,716                             | (58,751)       |
| Increase in other receivables   | (11,900)                           | (10,034)       |
| (Increase) decrease in inventories  | (10,622)                           | 258,594        |
| Decrease in other current assets  | 12,459                             | 1,215          |
| Increase in other operating assets  | (5,551)                            | (2,132)        |
| Decrease in notes payable   | (6,659)                            | (1,078)        |
| Increase (decrease) in trade payables   | 35,782                             | (150,561)      |
| Decrease (increase) in other payables   | (12,564)                           | 39,538         |
| Decrease in accrued pension liabilities   | (4,464)                            | (647)          |
| Increase (decrease) in advance real estate receipts   | 157,517                            | (98,371)       |
| Decrease in other current liabilities   | (2,031)                            | (4,431)        |
| Increase in other operating liabilities   | 9,053                              | 5,676          |
| Cash generated from operations  | 258,279                            | 218,170        |
| Interest paid   | (23,383)                           | (20,054)       |
| Interest received   | 15,407                             | 31,404         |
| Dividend received from associates   | 2,847                              | 4,150          |
| Income tax paid   | (45,708)                           | (18,234)       |
| Net cash generated from operating activities  | <u>207,442</u>                     | <u>215,436</u> |

(Continued)

# WALSIN LIHWA CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of U.S. Dollars)

|   | For the Years Ended<br>December 31 |                   |
|---|------------------------------------|-------------------|
|   | 2013                               | 2012              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                    |                   |
| Purchase of financial assets measured at cost   | \$ (3,193)                         | \$ (9,438)        |
| Proceeds on sale of financial assets measured at cost                                     | 1,398                              | 5,654             |
| Proceeds on sale of available-for-sale financial assets                                   | 164                                | -                 |
| Net cash used in disposal of subsidiaries   | (53,654)                           | (468)             |
| Purchase of associates accounted under equity method                                      | (60,714)                           | (17,943)          |
| Proceeds from disposal of associates accounted under equity method                        | 295                                | 27,218            |
| Purchase of property, plant and equipment   | (73,868)                           | (211,305)         |
| Proceeds from disposal of property, plant and equipment                                   | 38,613                             | 9,587             |
| Proceeds from capital return of investees on financial assets carried at cost             | 845                                | 30                |
| Purchase of for intangible assets   | (47)                               | -                 |
| Proceed from liquidation return of investment accounted for using equity method           | -                                  | 1,983             |
| Cash received for acquired subsidiaries   | -                                  | 17,396            |
| (Increase) decrease in refundable deposits  | (11,589)                           | 1,332             |
| Decrease in prepayment for lease  | 7,497                              | -                 |
| Decrease in other financial assets  | -                                  | 37,189            |
| Other investing activities  | <u>(1,422)</u>                     | <u>(1,084)</u>    |
| Net cash used in investing activities   | <u>(155,675)</u>                   | <u>(139,849)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                                    |                   |
| Decrease in of short-term borrowings  | (68,516)                           | (15,491)          |
| (Decrease) increase in short-term bills payable   | (3,219)                            | 3,219             |
| Proceeds from long-term borrowings  | 41,161                             | -                 |
| Repayments of long-term borrowings  | -                                  | (265,044)         |
| Partial disposal of interest in subsidiaries without losing control                       | 9,350                              | -                 |
| Changes in non-controlling interests  | (1,340)                            | (2,174)           |
| Other financing activities  | <u>(3,874)</u>                     | <u>(84)</u>       |
| Net cash used in financing activities   | <u>(26,438)</u>                    | <u>(279,574)</u>  |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b> |                                    |                   |
|   | <u>29,617</u>                      | <u>(26,838)</u>   |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                               |                                    |                   |
|   | 54,946                             | (230,825)         |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>                             |                                    |                   |
|   | <u>203,325</u>                     | <u>434,150</u>    |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                                   |                                    |                   |
|   | <u>\$ 258,271</u>                  | <u>\$ 203,325</u> |

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of U.S. Dollars)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2013 and 2012:

|  | <b>For the Years Ended<br/>December 31</b> |                   |
|--|--|-------------------|
|  | <b>2013</b>                                | <b>2012</b>       |
| Cash and cash equivalents in consolidated balance sheets             | \$ 253,517                                 | \$ 203,325        |
| Cash and cash equivalents included in a disposal group held for sale | <u>4,754</u>                               | <u>-</u>          |
| Cash and cash equivalents in consolidated statements of cash flow    | <u>\$ 258,271</u>                          | <u>\$ 203,325</u> |

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

(With Deloitte & Touche auditors' report dated March 5, 2014)

(Concluded)

# WALSIN LIHWA CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012 (In Thousands of New Taiwan Dollars)

### 1. GENERAL INFORMATION

Walsin Lihwa Corporation (“WLC”) was incorporated in December 1966 and commenced business in December 1966. WLC made various investments in construction, electronics, material science, real estate, LED, solar power related business, etc., to diversify its operations. WLC’s main products are wires, cables and specialty steel.

WLC’s shares have been listed on the Taiwan Stock Exchange (“TSE”) since November 1972. In October 1995 and November 2010, WLC increased its share capital and issued Global Depositary Shares (“GDR”), which are listed on the Luxembourg Stock Exchange under stock number 168527.

The consolidated financial statements incorporate the financial statements of WLC and the entities controlled by WLC (“the Company”). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Non-controlling interests are presented in the consolidated balance sheets within equity, separately from the equity of the owners of the parent company.

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

The consolidated entities as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

| Investor                 | Investee  | Main Business  | % of Ownership    |                   |                 |
|--------------------------|---|--|-------------------|-------------------|-----------------|
|                          |   |  | December 31, 2013 | December 31, 2012 | January 1, 2012 |
| Walsin Lihwa Corporation | Walsin Lihwa Holdings Limited (“WLHL”)              | Investment holding   | 100.00            | 100.00            | 100.00          |
|                          | Concord Industries Limited (“CIL”)                  | Investment holding   | 100.00            | 100.00            | 100.00          |
|                          | Chin-Xin Investment Co., Ltd. (“Chin-Xin”)          | Investments  | -                 | 43.93             | 100.00          |
|                          | Touch Micro-System Technology Corp. (“TMTC”)        | OEM on MEMS foundry service  | 100.00            | 100.00            | 100.00          |
|                          | Max Display Enterprises Limited (“Max Display”)     | Investment holding   | -                 | -                 | 100.00          |
|                          | Energy Pilot Limited (“Energy Pilot”)               | Investment holding   | 100.00            | 100.00            | 100.00          |
|                          | Ally Energy Limited (“Ally Energy”)                 | Investment holding   | 100.00            | 100.00            | 100.00          |
|                          | Market Pilot Limited (“Market Pilot”)               | Investment holding   | 100.00            | 100.00            | 100.00          |
|                          | Walsin Solar Technology Co., Ltd. (“Walsin Solar”)  | Solar power manufacturing and selling operations                       | 100.00            | 100.00            | 100.00          |
|                          | Chin-Cherng Management Service Co., Ltd.            | Business administration consultation, analysis and building management | 100.00            | 100.00            | -               |
|                          | Min Maw Precision Industry Corp. (“Min Maw”)        | Solar power systems management, design, and installation               | 100.00            | 88.89             | 88.89           |
|                          | Walsin Info-Electric Corp. (“Walsin Info-Electric”) | Mechanical and electrical, communications, and power systems           | 98.87             | 98.84             | 98.84           |
|                          | Chin-Cherng Construction Co. (“Chin-Cherng”)        | Construction business  | 99.09             | 98.60             | 98.60           |

(Continued)

| Investor   | Investee   | Main Business  | % of Ownership                                  |                   |                 |
|--|--|--|---|-------------------|-----------------|
|  |  |  | December 31, 2013                               | December 31, 2012 | January 1, 2012 |
| WLHL   | Joint Success Enterprises Limited                    | Investments  | 49.05   | 49.05             | 49.05           |
|  | Walsin (China) Investment Co., Ltd.                  | Investment holding   | 100.00  | 100.00            | 100.00          |
|  | Jiangyin Walsin Steel Cable Co., Limited (JHS)       | Manufacture and sale of steel cables and wires                               | 75.00   | 75.00             | 75.00           |
|  | Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.   | Manufacture and sale of cables and wires                                     | 95.71   | 95.71             | 94.92           |
|  | Hangzhou Walsin Power Cable & Wire Co., Ltd.         | Manufacture and sale of cables and wires                                     | 89.78   | 89.78             | 77.52           |
|  | Dongguan Walsin Wire & Cable Co., Ltd.               | Manufacture and sale of bare copper cables and wires                         | 100.00  | 100.00            | 100.00          |
|  | Nanjing Walsin Metal Co., Ltd.                       | Manufacture and sale of copper alloy   | 78.26   | 78.26             | 78.26           |
|  | P.T. Walsin Lippo Industries ("P.T. Walsin")         | Manufacture and sale of cables and wires                                     | 70.00   | 70.00             | 70.00           |
|  | Dongguan Hannstar Electronics Co., Ltd.              | Manufacture and sale of wires  | 100.00  | 100.00            | 100.00          |
|  | Renowned International Limited                       | Investments  | 83.97   | 83.97             | 83.97           |
|  | Walsin International Investments Limited             | Investments  | 100.00  | 100.00            | 100.00          |
|  | XiAn Walsin Opto-electronic Limited                  | Light emitter diode and solar power assembly                                 | 100.00  | 100.00            | 100.00          |
|  | Borrego Solar System, Inc.                           | Solar power system   | 77.71   | 77.82             | 77.92           |
|  | Nanjing Walsin Expo Exhibition Co., Ltd.             | Exhibition service   | 60.00   | 60.00             | 60.00           |
|  | Nanjing Taiwan Trade Mart Management Co., Ltd.       | Business and assets management, consulting and advertising services          | 100.00  | 100.00            | 100.00          |
|  | Lead Hero Limited                                    | Investments  | 100.00  | 100.00            | 100.00          |
|  | XiAn Ly Jing Technology Co., Ltd.                    | Solar module assembly  | 100.00  | 100.00            | 100.00          |
|  | Jiangyin Walsin Precision Metal Technology Co., Ltd. | Precision alloy wire   | -   | -                 | 100.00          |
|  | Jiangyin Walsin Specialty Alloy Materials Co., Ltd.  | Manufacture and sale of cold-rolled stainless steel and flat-rolled products | 18.37   | 18.37             | 18.37           |
|  | CIL  | Walsin Specialty Steel Corp.   | Sale of specialty steel products and investment | 100.00            | 100.00          |
| Changshu Walsin Specialty Steel Co., Ltd.  |  | Manufacture and sale of specialized steel tubes, rods and wires              | 100.00  | 100.00            | 100.00          |
| Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.  |  | Manufacture and sale of stainless steel                                      | 100.00  | 100.00            | 100.00          |
| Walsin Specialty Steel (USA) Corp.   |  | Commerce   | -   | -                 | 100.00          |
| Walsin Singapore PTE. Ltd.   |  | Commerce and investments   | 100.00  | 100.00            | 100.00          |
| Changzhou Wujin NSL. Co., Ltd.   |  | Manufacture and sale of stainless steel billet                               | 100.00  | 100.00            | 100.00          |
| Yantai Jin Cherg Precision Wire Rod Co., Ltd. (renamed to Yantai Walsin Stainless Steel Co., Ltd.) |  | Production and sale of new-type alloy materials                              | 100.00  | 100.00            | 100.00          |
| Jiangyin Walsin Specialty Alloy Materials Co., Ltd.  |  | Manufacture and sale of cold-rolled stainless steel and flat-rolled products | 81.63   | 81.63             | 100.00          |
| Walsin Precision Technology Sdn. Bhd.  |  | Manufacture and sale of stainless steel                                      | 100.00  | 100.00            | 100.00          |
| Jiangyin Yuan Tai Stainless Steel Products Co., Ltd.   |  | Strained stainless steel   | -   | 88.00             | 88.00           |
| XiAn Walsin Metal Product Co., Ltd.  |  | Production and sale of medium and heavy specialty steel plates               | 100.00  | 100.00            | 100.00          |
| Yantai Dazhong Recycling Resource Co., Ltd.  |  | Recycling steel  | 100.00  | 100.00            | 100.00          |
| Yantai Huanghai Iron and Steel Co., Ltd.   |  | Manufacture and sale of steel billets and wire rods                          | 100.00  | 100.00            | 75.00           |
| Walsin Lihwa (Changzhou) Investment Co., Ltd.  | Commerce and investments                             | 100.00   | -   | -                 |                 |
| Chin-Xin   | Dawnredwood Limited                                  | Investments  | -   | 100.00            | 100.00          |
|  | Vila Vila Limited                                    | Investments  | -   | 100.00            | 100.00          |
| Chin-Cherng  | Chin-Cherng Management Service Co., Ltd.             | Business administration consultation, analysis and building management       | -   | -                 | 100.00          |
|  | Super Pilot Limited                                  | Investments  | -   | 100.00            | -               |
|  | Tahsio Construction Co., Ltd.                        | Construction of building   | 100.00  | 100.00            | 100.00          |
|  | Joint Success Enterprises Limited                    | Investments  | 50.95   | 50.95             | 50.95           |
| Walsin (Nanjing) Construction Limited  | Walsin (Nanjing) Construction Limited                | Construction, rental and sale of buildings and industrial factories          | 100.00  | 100.00            | 100.00          |
|  | Nanjing Walsin Property Management Co., Ltd.         | Property management, business management and housing leasing.                | 100.00  | -                 | -               |
| Walsin Info-Electric   | Huatong International Corp.                          | Investments  | 100.00  | 100.00            | 100.00          |

(Continued)



| Investor                       | Investee  | Main Business  | % of Ownership    |                   |                 |
|--------------------------------|---|--|-------------------|-------------------|-----------------|
|                                |   |  | December 31, 2013 | December 31, 2012 | January 1, 2012 |
| Energy Pilot Limited           | Shanghai Walsin Info-electric Inc.                              | Design of electrical and mechanical systems, management advisory services, and wholesale of electrical and mechanical devices and their components | 100.00            | 100.00            | 100.00          |
|                                | Green Lake Capital, LLC.  | Solar power business   | 100.00            | 100.00            | 100.00          |
|                                | GLC Development, LLC.   | Solar power project development  | 99.00             | 99.00             | 100.00          |
|                                | SDCCD Management, LLC.  | Solar power management business  | 100.00            | 100.00            | 100.00          |
|                                | GLC-(CA) SDCCD, LLC.  | Solar power systems design, operation and installation services  | 98.00             | 98.00             | 98.00           |
|                                | GLC-(MA) Management, LLC.                                       | Solar power management business  | 100.00            | 100.00            | 100.00          |
|                                | GLC-(MA) BCH, LLC.  | Solar power systems design, operation and installation services  | 100.00            | 100.00            | 100.00          |
|                                | GLC-(MA) SHS, LLC.  | Solar power systems design, operation and installation services  | 100.00            | 100.00            | 100.00          |
|                                | GLC-(MA) BBN, LLC.  | Solar power systems design, operation and installation services  | 100.00            | 100.00            | 100.00          |
|                                | GLC Solar Management II, LLC.                                   | Solar power business   | 100.00            | 100.00            | 100.00          |
|                                | GLC Solar Fund II, LLC.   | Solar power business   | 98.00             | 98.00             | 98.00           |
|                                | GLC-(CA) Vista, LLC.  | Solar power systems design, operation and installation services  | 100.00            | 100.00            | 100.00          |
|                                | GLC-(CA) Helix, LLC.  | Solar power systems design, operation and installation services  | 100.00            | 100.00            | 100.00          |
|                                | GLC-(CA) Madera, LLC.   | Solar power systems design, operation and installation services  | 100.00            | 100.00            | 100.00          |
|                                | GLC-(CA) Z7 Water, LLC.   | Solar power systems design, operation and installation services  | 100.00            | 100.00            | 100.00          |
|                                | GLC-(CA) Sierra, LLC.   | Solar power systems design, operation and installation services  | 100.00            | 100.00            | 100.00          |
|                                | GLC-(CA) Aqua SD, LLC.  | Solar power systems design, operation and installation services  | 100.00            | 100.00            | 100.00          |
|                                | GLC-(NJ) Management, LLC.                                       | Solar power management business  | 100.00            | 100.00            | 100.00          |
|                                | GLC-(NJ) NACR 1, LLC.   | Solar power systems design, operation and installation services  | 100.00            | 100.00            | 100.00          |
|                                | GLC Solar Management V, LLC.                                    | Solar power management business  | 100.00            | 100.00            | 100.00          |
|                                | GLC Solar Fund V, LLC.  | Solar power business   | 98.00             | 98.00             | 98.00           |
|                                | GLC-(MA) Mashpee, LLC.  | Solar power systems design, operation and installation services  | 100.00            | 100.00            | 100.00          |
|                                | GLC-(CA) SCC, LLC.  | Solar power systems design, operation and installation services  | 100.00            | 100.00            | 100.00          |
|                                | GLC-(CA) Edwards, LLC   | Solar power systems design, operation and installation services  | 100.00            | 100.00            | 100.00          |
|                                | GLC-(NJ) NACR 2, LLC.   | Solar power systems design, operation and installation services  | 100.00            | 100.00            | 100.00          |
|                                | GLC-(MA) Easthampton, LLC.                                      | Solar power systems design, operation and installation services  | 100.00            | 100.00            | 100.00          |
|                                | GLC Solar Management VI, LLC.                                   | Solar power management business  | 100.00            | 100.00            | 100.00          |
|                                | GLC Solar Fund VI, LLC.   | Solar power business   | 98.00             | 98.00             | 98.00           |
|                                | GLC-(CA) CSD 1, LLC.  | Solar power systems design, operation and installation services  | 100.00            | 100.00            | -               |
|                                | GLC-(CA) CSD 2, LLC.  | Solar power systems design, operation and installation services  | 100.00            | -                 | -               |
|                                | GLC-(MA) Acushnet, LLC.   | Solar power systems design, operation and installation services  | 100.00            | 100.00            | -               |
| GLC-(CA) Morgan Hill, LLC.     | Solar power systems design, operation and installation services | 100.00   | 100.00            | -                 |                 |
| GLC Solar Management VII, LLC. | Solar power business  | 100.00   | 98.00             | -                 |                 |
| Green Lake Exchange, LLC.      | Solar power business  | 100.00   | 100.00            | 100.00            |                 |
| Market Pilot Limited           | XiAn Walsin United Technology Co., Ltd.                         | Electronic devices and module  | 100.00            | 100.00            | 100.00          |

(Concluded)

The following entities were excluded from consolidation as of December 31, 2013, December 31, 2012 and January 1, 2012:

| Investor | Investee                           | Main Business | % of Ownership    |                   |                 | Remark   |
|----------|------------------------------------|---------------|-------------------|-------------------|-----------------|--|
|          |                                    |               | December 31, 2013 | December 31, 2012 | January 1, 2012 |  |
| WLHL     | Walcom Chemical Industrial Limited | Commerce      | 65.00             | 65.00             | 65.00           | The investee has a capital of HK\$500 thousand and total assets of HK\$1 thousand. As of December 31, 2013, December 31, 2012 and January 1, 2012, the investee had no sales and its total assets were less than 1% of consolidated assets |

The financial statements of certain subsidiaries included in the consolidated financial statements as of December 31, 2013, December 31, 2012 and January 1, 2012 and for the years ended December 31, 2013 and 2012 were audited by other independent auditors. The total assets amounted to NT\$8,238,145 thousand, NT\$6,942,403 thousand and NT\$4,352,612 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively; total net operating revenues amounted to NT\$5,462,231 thousand and NT\$3,701,373 thousand for the years ended December 31, 2013 and 2012.

## 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 5, 2014.

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

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

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

| <b>The New IFRSs Included in the<br/>2013 IFRSs Version Not Yet Endorsed by the FSC</b>   | <b>Effective Date<br/>Announced by IASB (Note 1)</b>   |
|---|--|
| Improvements to IFRSs (2009) - amendment to IAS 39<br>Amendment to IAS 39 “Embedded Derivatives”  | January 1, 2009 and January 1, 2010, as appropriate<br>Effective for annual periods ending on or after June 30, 2009 |
| Improvements to IFRSs (2010)  | July 1, 2010 and January 1, 2011, as appropriate   |
| Annual Improvements to IFRSs 2009-2011 Cycle  | January 1, 2013  |
| Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters”   | July 1, 2010   |
| Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters”  | July 1, 2011   |
| Amendment to IFRS 1 “Government Loans”  | January 1, 2013  |
| Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”  | January 1, 2013  |
| Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”   | July 1, 2011   |
| IFRS 10 “Consolidated Financial Statements”   | January 1, 2013  |
| IFRS 11 “Joint Arrangements”  | January 1, 2013  |
| IFRS 12 “Disclosure of Interests in Other Entities”   | January 1, 2013  |
| Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance” | January 1, 2013  |
| Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”  | January 1, 2014  |
| IFRS 13 “Fair Value Measurement”  | January 1, 2013  |
| Amendment to IAS 1 “Presentation of Other Comprehensive Income”   | July 1, 2012   |
| Amendment to IAS 12 “Deferred tax: Recovery of Underlying Assets”   | January 1, 2012  |
| IAS 19 (Revised 2011) “Employee Benefits”   | January 1, 2013  |
| IAS 27 (Revised 2011) “Separate Financial Statements”   | January 1, 2013  |
| IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”  | January 1, 2013  |
| Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”   | January 1, 2014  |
| IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”  | January 1, 2013  |

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

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

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

- b. Significant impending changes in accounting policy that would result whenever New IFRSs in issue but not yet effective are applied.

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

- 1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

## Recognition and measurement of financial liabilities

As for financial liabilities, the main changes in the classification and measurement relate to the subsequent measurement of financial liabilities designated as at fair value through profit or loss. The amount of change in the fair value of such financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch in profit or loss, the Company presents all gains or losses on that liability in profit or loss.

## Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

## Effective date

The mandatory effective date of IFRS 9, which was previously set at January 1, 2015, was removed and will be reconsidered once the standard is complete with a new impairment model and finalization of any limited amendments to classification and measurement.

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

#### a) IFRS 10 "Consolidated Financial Statements"

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

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

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

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

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

Revised IAS 28 also requires that when a portion of an investment in an associate is held by, or is held indirectly through, an entity that is a venture capital organization, the Company may elect to measure investments in those associates at fair value through profit or loss. Any remaining portion of its investment in those associates that is not held through a venture capital organization is accounted for using the equity method. Previously, the entire investments in those associates are accounted for using equity method regardless of whether the investments are held by, or are held indirectly through, an entity that is a venture capital organization.

3) IFRS 13 “Fair Value Measurement”

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

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

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

5) Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”

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

6) New issued IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Company accrues related liability when the transaction or activity that triggers the



payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

#### 7) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

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

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

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

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

#### 8) Annual Improvements to IFRSs: 2011-2013 Cycle

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

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the

formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

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

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

- c. The impact of the application of New IFRSs and the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”) in issue but not yet effective on the Company’s consolidated financial statements is as follows:

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

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

The Company’s consolidated financial statements for the year ended December 31, 2013 are its first IFRS consolidated financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 36 for the impact of IFRS conversion on the consolidated financial statements.

- a. Statement of compliance

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

- b. Basis of preparation

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

The opening consolidated balance sheet as of the date of transition to IFRSs was prepared in accordance with IFRS 1 “First-time Adoption of International Financial Reporting Standards”. The applicable IFRSs have been applied retrospectively by the Company except for some aspects where IFRSs prohibit retrospective application or grant optional exemption to this general principle. For the exemptions that the Company elected, refer to Note 36. The



significant accounting policies are set out as below.

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

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized within twelve months after the reporting period, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than twelve months after the reporting period. Property, plant and equipment, intangible assets, other than assets classified as current are classified as non-current. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that do not have an unconditional right to defer settlement for at least twelve months after the reporting period. Liabilities that are not classified as current are classified as non-current. 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.

d. Basis of consolidation

1) Attribution of total comprehensive income to non-controlling interests

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

2) Changes in the Company's ownership interests in existing 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. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Company accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities (i.e. reclassifies to profit or loss, or transfers directly to retained earnings if required in accordance with other IFRSs).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date (i.e., the day when the Company obtains control) fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or

loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date. Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

f. Foreign currencies

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

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

- 1) Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- 2) Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- 3) Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a

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

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

g. Inventories

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

Inventories include real estate and constructions-in-progress, which are stated at acquisition costs plus construction costs incurred. Interest expenses on constructions-in-progress are capitalized.

h. Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

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

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

When the Company's share of losses of an associate equals or exceeds its interest in that associate, the Company discontinues recognizing its share of further losses. Additional

losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

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

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

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

i. Property, plant and equipment

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

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

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

Any item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

k. Intangible assets

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

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

impairment loss is recognized immediately in profit or loss.

m. Non-current assets held for sale

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

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

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

n. Financial instruments

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

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

Financial assets

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

1) Measurement category

Financial assets are classified into the following specified categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The categories of financial assets held by the Company are available-for-sale financial assets and loans and receivables.

a) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.



Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other gains and losses line item.

b) Held-to-maturity investments

Foreign corporate bonds, which the Company has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

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

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

d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, cash and cash equivalent, and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

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

commitments.

## 2) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

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

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

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

For all other financial assets, objective evidence of impairment could include:

- a) Significant financial difficulty of the issuer or counterparty; or
- b) Breach of contract, such as a default or delinquency in interest or principal payments; or
- c) It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- d) The disappearance of an active market for that financial asset because of financial difficulties.

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

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



accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

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

### 3) Derecognition of financial assets

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

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

## Financial liabilities

### 1) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method, less any impairment.

Financial liabilities at fair value through profit or loss:

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item.

### 2) Derecognition of financial liabilities

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

### Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

#### o. Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

##### 1) Fair value hedges

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued prospectively when the Company revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The fair value adjustment to the carrying amount of the hedged instrument arising from the hedged risk for which the effective interest method is used is amortized to profit or loss from the date the hedge accounting is discontinued. The adjustment is based on a recalculated effective interest rate that will fully amortize interest from the date amortization begins to the maturity of the financial instrument.

##### 2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the other gains and losses line item.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Company revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When the forecast transaction is ultimately recognized in profit or loss, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss or are included in the initial cost of the non-financial asset or non-financial liability. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

p. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

q. Revenue recognition

Revenue from sales of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable. The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors. Sales of goods are recognized when goods are delivered and title has passed.

1) Rendering of services

Service income is recognized when services are provided. Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

2) Dividend and interest income

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

r. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

s. Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

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

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

t. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all (deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures) to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if

the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

u. Translation into U.S. dollar

The financial statements are stated in New Taiwan dollars. The translation of the 2013 and 2012 New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of readers, using the average exchange rate of NT\$29.805 to US\$1.00 quoted by the Bank of Taiwan on December 31, 2013. The convenience translation should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other exchange rate.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The accounts include allowance for doubtful accounts, inventory valuation losses, depreciation, impairment, pension, bonus to employees and remuneration, etc. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The followings are the main assumptions and sources of estimation uncertainty at the end of financial reporting period:

a. Deferred tax assets

As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amount of the deferred tax assets in relation to unused tax losses was NT\$1,471,593 thousand, NT\$1,133,781 thousand and NT\$1,540,188 thousand, respectively. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

b. Write-down of inventory

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

c. Recognition and measurement of defined benefit plans

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

As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amount of the accrued pension liabilities was NT\$1,222,346 thousand, NT\$1,355,380 thousand and NT\$1,336,104 thousand, respectively.

## 6. CASH AND CASH EQUIVALENTS

|                                    | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012      |
|------------------------------------|----------------------|----------------------|----------------------|
| Cash on hand                       | \$ 7,060             | \$ 8,966             | \$ 211,090           |
| Cash in bank                       | 7,176,966            | 4,152,185            | 7,763,788            |
| Time deposits                      | 211,906              | 272,034              | 3,941,358            |
| Cash equivalent - short-term bills | <u>160,150</u>       | <u>1,626,930</u>     | <u>1,023,600</u>     |
|                                    | <u>\$ 7,556,082</u>  | <u>\$ 6,060,115</u>  | <u>\$ 12,939,836</u> |

Cash equivalents include time deposits that have a maturity of three months or less from the date of acquisition and the time deposits that have a maturity of three months to twelve months from the date of acquisition and that can be terminated with interest still higher than demand deposit, are readily convertible to a known amount of cash, and are subject to an insignificant risk of change in value; these were held for the purpose of meeting short-term cash commitments.

The ranges of market rates of cash in bank and bank overdrafts at the end of the reporting period were as follows (except the market rate of checking account was zero):

|                  | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|------------------|------------------------------|------------------------------|------------------------|
| Bank balance     | 0.01%-1.49%                  | 0.01%-3.10%                  | 0.01%-1.23%            |
| Short-term bills | 0.40%                        | 0.40%                        | 0.36%                  |

Cash in bank and time deposits in the total of EUR53,560 thousand at January 1, 2012, were intended for payment of equipment for use in the Taichung Port. The deposits are designated as cash flow hedge to manage exposures to exchange rate fluctuations.

Certain time deposits as of December 31, 2013, December 31, 2012 and January 1, 2012, were classified and pledged as follows:

| Purpose  | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1,<br/>2012</b> |
|--|------------------------------|------------------------------|----------------------------|
| Other financial assets - current                           |                              |                              |                            |
| Pledged time deposits                                      |                              |                              |                            |
| To secure short-term bank borrowings and letter of credit  | \$ 704,867                   | \$ 343,654                   | \$ 398,903                 |
| To secure letter of credit for equipment import            | 93,090                       | 305,627                      | 305,627                    |
|  | <u>797,957</u>               | <u>649,281</u>               | <u>704,530</u>             |
| Non-current assets   |                              |                              |                            |
| Refundable deposits  |                              |                              |                            |
| To meet contract requirements for completing constructions | 60,733                       | 70,000                       | -                          |
| To meet required security deposit                          | 600                          | 600                          | 600                        |
| Other non-current assets - refundable deposits             |                              |                              |                            |
| To secure long-term bank borrowings                        | 93,636                       | 36,098                       | -                          |
|  | <u>154,969</u>               | <u>106,698</u>               | <u>600</u>                 |
|  | <u>\$ 952,926</u>            | <u>\$ 755,979</u>            | <u>\$ 705,130</u>          |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

|  | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|--|------------------------------|------------------------------|------------------------|
| <u>Financial assets held for trading</u>                 |                              |                              |                        |
| Derivative financial assets (not under hedge accounting) |                              |                              |                        |
| Commodity futures contracts                              | \$ 8,723                     | \$ 49,750                    | \$ -                   |
| Forward exchange contracts                               | 46,707                       | -                            | -                      |
| Exchange rate swap contracts                             | -                            | -                            | 13,849                 |
| Non-derivative financial assets                          |                              |                              |                        |
| Marketable equity securities                             | -                            | 441                          | 389                    |
| Common stock warrants                                    | -                            | -                            | 12,226                 |
| Financial assets at FVTPL                                | <u>\$ 55,430</u>             | <u>\$ 50,191</u>             | <u>\$ 26,464</u>       |

(Continued)



|             | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012  |
|-------------|----------------------|----------------------|------------------|
| Current     | \$ 55,430            | \$ 50,191            | \$ 12,615        |
| Non-current | <u>-</u>             | <u>-</u>             | <u>13,849</u>    |
|             | <u>\$ 55,430</u>     | <u>\$ 50,191</u>     | <u>\$ 26,464</u> |

(Concluded)

Financial liabilities held for trading

## Derivative financial liabilities (not under hedge accounting)

|                                |             |                 |                  |
|--------------------------------|-------------|-----------------|------------------|
| Exchange rate swap contract    | \$ -        | \$ -            | \$ -             |
| Forward exchange contracts     | -           | 4,529           | 18,810           |
| Commodity futures contracts    | <u>-</u>    | <u>-</u>        | <u>50,822</u>    |
| Financial liabilities at FVTPL | <u>\$ -</u> | <u>\$ 4,529</u> | <u>\$ 69,632</u> |
| Current                        | \$ -        | \$ 4,529        | \$ 69,632        |
| Non-current                    | <u>-</u>    | <u>-</u>        | <u>-</u>         |
|                                | <u>\$ -</u> | <u>\$ 4,529</u> | <u>\$ 69,632</u> |

At the end of the reporting period, outstanding commodity futures not under hedge accounting were as follows:

|                          | Type of Transaction | Quantity (Tons) | Trade Date                | Expiration Date           | Exercise Price (In Thousands) | Market Price (In Thousands) | Valuation (Loss) Gain (In Thousands) |
|--------------------------|---------------------|-----------------|---------------------------|---------------------------|-------------------------------|-----------------------------|--------------------------------------|
| <u>December 31, 2013</u> |                     |                 |                           |                           |                               |                             |                                      |
| Commodity futures        |                     |                 |                           |                           |                               |                             |                                      |
| Copper                   | Buy                 | 3,800           | 2013.04.02-<br>2013.12.31 | 2014.01.15-<br>2014.10.15 | US\$ 27,424                   | US\$ 27,976                 | US\$ 552                             |
| Copper                   | Sell                | 2,850           | 2013.12.18-<br>2013.12.31 | 2014.02.19-<br>2014.03.30 | US\$ 20,775                   | US\$ 21,051                 | US\$ (276)                           |
| Nickel                   | Sell                | 372             | 2013.10.16-<br>2013.12.03 | 2014.01.16-<br>2014.02.19 | US\$ 5,093                    | US\$ 5,187                  | US\$ (94)                            |
| Copper                   | Buy                 | 4,185           | 2013.08.09-<br>2013.12.26 | 2014.03.15-<br>2014.12.15 | RMB 218,458                   | RMB 219,148                 | RMB 690                              |
| Copper                   | Sell                | 55              | 2013.12.25                | 2014.04.01                | RMB 2,861                     | RMB 2,877                   | RMB (16)                             |
| <u>December 31, 2012</u> |                     |                 |                           |                           |                               |                             |                                      |
| Commodity futures        |                     |                 |                           |                           |                               |                             |                                      |
| Copper                   | Buy                 | 4,875           | 2012.06.13-<br>2012.12.31 | 2013.01.15-<br>2013.11.20 | US\$ 43,613                   | US\$ 44,025                 | US\$ 412                             |
| Copper                   | Sell                | 8,600           | 2012.10.29-<br>2012.12.31 | 2013.01.16-<br>2013.03.28 | US\$ 68,319                   | US\$ 68,261                 | US\$ 58                              |
| Nickel                   | Sell                | 2,784           | 2012.11.13-<br>2012.12.19 | 2013.02.13-<br>2013.03.19 | US\$ 48,907                   | US\$ 47,664                 | US\$ 1,243                           |

(Continued)



|                        | Type of Transaction | Quantity (Tons) | Trade Date            | Expiration Date       | Exercise Price (In Thousands) | Market Price (In Thousands) | Valuation (Loss) Gain (In Thousands) |
|------------------------|---------------------|-----------------|-----------------------|-----------------------|-------------------------------|-----------------------------|--------------------------------------|
| <u>January 1, 2012</u> |                     |                 |                       |                       |                               |                             |                                      |
| Commodity futures      |                     |                 |                       |                       |                               |                             |                                      |
| Copper                 | Buy                 | 8,705           | 2011.08.05-2011.12.30 | 2012.01.15-2013.10.17 | US\$ 69,332                   | US\$ 70,469                 | US\$ 1,137                           |
| Copper                 | Sell                | 8,800           | 2011.11.30-2011.12.30 | 2012.01.18-2012.03.14 | US\$ 65,506                   | US\$ 66,902                 | US\$ (1,396)                         |
| Nickel                 | Sell                | 1,890           | 2011.11.11-2011.12.28 | 2012.02.10-2012.03.21 | US\$ 33,999                   | US\$ 35,419                 | US\$ (1,420)                         |

(Concluded)

At the end of the reporting period, outstanding exchange rate swap contracts not under hedge accounting were as follows:

| Currencies             | Contract Expiration Date | Contract Amount (In Thousands) |
|------------------------|--------------------------|--------------------------------|
| <u>January 1, 2012</u> |                          |                                |
| EUR to USD             | 2013.02.19               | EUR4,000/USD5,675              |

At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

|                                 | Currencies | Contract Expiration Date | Contract Amount (In Thousands) |
|---------------------------------|------------|--------------------------|--------------------------------|
| <u>December 31, 2013</u>        |            |                          |                                |
| Buy forward exchange contracts  | USD to NTD | 2014.01.13-2014.03.06    | USD100,000/NTD2,935,420        |
|                                 | EUR to MYR | 2014.01.30-2014.04.30    | EUR582/MYR2,739                |
|                                 | USD to RMB | 2014.12.03               | USD19,000/RMB116,803           |
| <u>December 31, 2012</u>        |            |                          |                                |
| Sell forward exchange contracts | EUR to MYR | 2013.01.04-2013.04.06    | EUR889/MYR3,563                |
|                                 | EUR to USD | 2013.02.19               | EUR2,000/US\$2,501             |
| <u>January 1, 2012</u>          |            |                          |                                |
| Buy forward exchange contracts  | USD to NTD | 2012.01.19-2012.04.16    | USD75,000/NTD2,262,885         |
|                                 | USD to RMB | 2012.01.12-2012.12.27    | USD365,902/RMB2,339,912        |
|                                 | USD to IDR | 2012.01.03-2012.02.21    | USD3,478/IDR32,000,000         |
| Sell forward exchange contracts | EUR to MYR | 2012.02.06               | EUR111/MYR476                  |
|                                 | USD to MYR | 2012.01.31               | USD200/MYR635                  |
|                                 | EUR to USD | 2012.01.13               | EUR3,500/USD4,825              |

Common stock warrants as of January 1, 2012 were as follows:

| Exercise Target          | Warrant Unit | Warrant Exercisable (Shares) | Exercise Price  | Contract Expiration Date |
|--------------------------|--------------|------------------------------|-----------------|--------------------------|
| Microvision common stock | 2,019,060    | 2,019,060                    | US\$2.185/share | 2012.06.22               |

The right to exercise the Microvision common stock warrants had expired as of June 6, 2012, and loss on investment was US\$404 thousand (equivalent to NT\$11,977 thousand).

For the years ended December 31, 2013 and 2012, the Company's strategy for commodity futures contracts, forward exchange contracts and exchange rate swap contracts was to hedge exposures to fluctuations of essential materials' prices and foreign exchange rates. However, those derivative financial instruments did not meet the criteria of hedge effectiveness; and therefore, they were not accounted for by hedge accounting.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|                                       | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012     |
|---------------------------------------|----------------------|----------------------|---------------------|
| <u>Domestic investments</u>           |                      |                      |                     |
| Domestic quoted stocks                |                      |                      |                     |
| HannStar Display Corp.                | \$ 2,351,640         | \$ 1,106,123         | \$ 983,738          |
| Hannstar Board Corp.                  | 860,790              | -                    | -                   |
| Capella Microsystems, Inc.            | -                    | 159,321              | -                   |
| Others                                | -                    | 4,413                | 4,782               |
| <u>Foreign investments</u>            |                      |                      |                     |
| Overseas marketable equity securities |                      |                      |                     |
| Microvision, Inc.                     | -                    | -                    | 64,823              |
|                                       | <u>\$ 3,212,430</u>  | <u>\$ 1,269,857</u>  | <u>\$ 1,053,343</u> |
| Current                               | \$ -                 | \$ 4,413             | \$ 4,782            |
| Non-current                           | <u>3,212,430</u>     | <u>1,265,444</u>     | <u>1,048,561</u>    |
|                                       | <u>\$ 3,212,430</u>  | <u>\$ 1,269,857</u>  | <u>\$ 1,053,343</u> |

In November 2013, the Company reorganized the investment structure of its group and ceased to have significant influence on the investee, Hannstar Board Corp.; thus, the financial asset has been remeasured at its fair value and transferred to "available-for-sale financial assets - non-current". The difference between fair value and book value is NT\$977,952 thousand which was recorded as loss on disposal of investment.

For the year ended December 31, 2012, the Company sold 743,250 shares of the common stock in Microvision, Inc. which resulted in loss on disposal of investment of US\$7,519 thousand (equivalent to NT\$223,373 thousand) which was recorded as loss on disposal of investment.

## 9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

|  | December 31,<br>2013 | December 31,<br>2012 | January 1,<br>2012 |
|--|----------------------|----------------------|--------------------|
| <u>Derivative financial assets under<br/>hedge accounting</u>      |                      |                      |                    |
| Cash flow hedges - foreign exchange<br>forward contracts           | \$ -                 | \$ -                 | \$ 3,571           |
| Current  | \$ -                 | \$ -                 | \$ -               |
| Non-current  | -                    | -                    | 3,571              |
|  | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ 3,571</u>    |
| <u>Derivative financial liabilities under<br/>hedge accounting</u> |                      |                      |                    |
| Fair value hedges - interest rate swaps                            | \$ -                 | \$ -                 | \$ 46,953          |
| Cash flow hedges - foreign exchange<br>forward contracts           | -                    | 287                  | -                  |
|  | <u>\$ -</u>          | <u>\$ 287</u>        | <u>\$ 46,953</u>   |
| Current  | \$ -                 | \$ 287               | \$ 46,953          |
| Non-current  | -                    | -                    | -                  |
|  | <u>\$ -</u>          | <u>\$ 287</u>        | <u>\$ 46,953</u>   |

### Fair Value Hedges

The Company used interest rate swaps to minimize its exposure to fair value changes of its floating-rate borrowings by swapping a portion of the floating-rate borrowings from floating rates to fixed rates. The interest swaps and the corresponding borrowings had the same terms and management believed the interest rate swaps were highly effective hedge instruments. The outstanding interest rate swaps of the Company at the end of the reporting period were as follows:

| Contract Amount<br>(In Thousands) | Contract<br>Expiration Date | Range of Interest<br>Rates Paid | Range of Interest<br>Rates Received |
|-----------------------------------|-----------------------------|---------------------------------|-------------------------------------|
| <u>January 1, 2012</u>            |                             |                                 |                                     |
| NT\$3,250,000                     | 2012.11.20                  | 2.455%-2.510%                   | 0.861%                              |

### Cash Flow Hedges

The Company's hedge strategy is to enter foreign exchange forward contracts to avoid firm commitment of its exchange rate exposure. When forecast sales and purchases actually take place, the carrying amounts of the non-financial hedged items will be adjusted accordingly.

The terms of the foreign exchange forward contracts had been negotiated to match the terms of the respective designated hedged items. The outstanding foreign exchange forward contracts of the Company at the end of the reporting period were as follows:

|                                | <b>Currencies</b> | <b>Contract Expiration<br/>Date</b> | <b>Contract Amount<br/>(In Thousands)</b> |
|--------------------------------|-------------------|-------------------------------------|---|
| <u>December 31, 2012</u>       |                   |                                     |   |
| Buy forward exchange contracts | EUR to NTD        | 2013.03.15-2013.04.15               | EUR6,695/NTD257,945                       |
| <u>January 1, 2012</u>         |                   |                                     |   |
| Buy forward exchange contracts | EUR to NTD        | 2013.03.15-2013.04.15               | EUR6,695/NTD257,945                       |

The Company signed foreign exchange forward contracts to avoid its exchange rate exposure due to the equipment purchase contracts signed with foreign suppliers. Those foreign exchange forward contracts were designated as cash flow hedges. During the years ended December 31, 2013 and 2012, fair value gain of NT\$287 thousand and loss of NT\$3,858 thousand, respectively, had been recognized in other comprehensive income due to the valuation adjustments of the foreign exchange forward contracts for the exchange rate exposure of expected future equipment purchase. The equipment purchase occurred in April 2013; at that time the amounts originally deferred and recognized in equity were reclassified to book value of property, plant and equipment.

## 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

|                                     | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|-------------------------------------|------------------------------|------------------------------|------------------------|
| <u>Notes receivable</u>             |                              |                              |                        |
| Notes receivable                    | <u>\$ 7,943,404</u>          | <u>\$ 5,407,147</u>          | <u>\$ 7,532,927</u>    |
| <u>Trade receivables</u>            |                              |                              |                        |
| Trade receivables                   | \$ 9,550,633                 | \$ 10,863,664                | \$ 9,165,973           |
| Less: Allowance for impairment loss | <u>(116,237)</u>             | <u>(149,075)</u>             | <u>(156,759)</u>       |
|                                     | <u>\$ 9,434,396</u>          | <u>\$ 10,714,589</u>         | <u>\$ 9,009,214</u>    |

The average credit period on sales of goods was 60 days. In determining the collectibility of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss based on estimated uncollectible amounts determined by reference to age of receivables, past default experience of the counterparties and an analysis of their current financial position.

The concentration of credit risk was limited due to the fact that the customer base was large and unrelated.

Age of receivables was as follows:

|                            | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012     |
|----------------------------|----------------------|----------------------|---------------------|
| Not overdue                | \$ 8,256,950         | \$ 10,016,024        | \$ 7,852,407        |
| Less than 90 days          | 757,977              | 631,910              | 1,004,198           |
| 91-180 days                | 59,624               | 124,280              | 207,734             |
| 181-365 days               | 372,260              | 48,603               | 71,775              |
| Overdue more than one year | <u>103,822</u>       | <u>42,847</u>        | <u>29,859</u>       |
|                            | <u>\$ 9,550,633</u>  | <u>\$ 10,863,664</u> | <u>\$ 9,165,973</u> |

Above analysis was based on the past due date.

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

|  | 2013              | 2012              |
|--|-------------------|-------------------|
| Balance at January 1   | \$ 149,075        | \$ 156,759        |
| Add: Impairment losses                                       | 23,066            | 7,902             |
| Add: Amounts recovered from prior year write-off             | 959               | -                 |
| Less: Amounts written off during the period as uncollectible | (4,058)           | (9,940)           |
| Less: Transfer to non-current assets held for sale           | (60,262)          | -                 |
| Foreign exchange translation gains and losses                | <u>7,457</u>      | <u>(5,646)</u>    |
| Balance at December 31                                       | <u>\$ 116,237</u> | <u>\$ 149,075</u> |

## 11. FINANCE LEASE RECEIVABLES

|                                     | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012   |
|-------------------------------------|----------------------|----------------------|-------------------|
| <u>Finance lease receivables</u>    |                      |                      |                   |
| Current portion                     | \$ 69,379            | \$ 55,590            | \$ 17,786         |
| Long-term                           | <u>2,653,354</u>     | <u>1,905,899</u>     | <u>778,842</u>    |
|                                     | 2,722,733            | 1,961,489            | 796,628           |
| Less: Allowance for impairment loss | <u>-</u>             | <u>-</u>             | <u>-</u>          |
|                                     | <u>\$ 2,722,733</u>  | <u>\$ 1,961,489</u>  | <u>\$ 796,628</u> |

The power supply contracts of solar power equipment are processed by financial lease accounting policy. The average term of finance leases entered into was 20 years.

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The average effective interest rate contracted was approximately 3.30%, 3.49% and 3.31% per annum as of December 31, 2013, December 31, 2012 and January 1, 2012.

The finance lease receivables as of December 31, 2013, December 31, 2012 and January 1, 2012 were neither past due nor impaired.

Refer to Note 30 for the carrying amount of finance lease receivables pledged as security for bank borrowings of the Company.

## 12. INVENTORIES

|                                      | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012      |
|--------------------------------------|----------------------|----------------------|----------------------|
| Manufacturing and trading industries |                      |                      |                      |
| Raw materials                        | \$ 4,498,614         | \$ 5,961,290         | \$ 6,059,109         |
| Raw materials in transit             | 1,772,055            | 1,289,690            | 5,510,425            |
| Supplies                             | 468,168              | 748,577              | 553,599              |
| Work-in-process                      | 1,774,501            | 1,925,946            | 2,134,902            |
| Finished goods and merchandise       | 5,662,452            | 5,174,636            | 9,299,167            |
| Contracts in progress                | <u>6,812</u>         | <u>200,395</u>       | <u>16,063</u>        |
|                                      | <u>14,182,602</u>    | <u>15,300,534</u>    | <u>23,573,265</u>    |
| Real estate development industry     |                      |                      |                      |
| Undeveloped land                     | 2,484                | 2,484                | 3,634                |
| Buildings and land held for sale     | 328,304              | 292,563              | -                    |
| Contracts in progress                | <u>6,547,786</u>     | <u>5,149,010</u>     | <u>5,804,384</u>     |
|                                      | <u>6,878,574</u>     | <u>5,444,057</u>     | <u>5,808,018</u>     |
|                                      | <u>\$ 21,061,176</u> | <u>\$ 20,744,591</u> | <u>\$ 29,381,283</u> |

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2013 and 2012 was NT\$143,653,255 thousand and NT\$149,621,347 thousand, respectively.

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2013 and 2012, respectively, included NT\$97,400 thousand and NT\$640,182 thousand reversal of write-downs of inventories. Previous write-downs had been reversed as a result of increased selling prices in inventories.

Contracts in progress of the manufacturing industry included construction costs of cable and wire installation projects not completed as of the balance sheet dates.

The inventory of real estate development industry is primarily the land for future construction and contracts in progress of Walsin (Nanjing) Construction Limited.

Walsin (Nanjing) Construction Limited entered into an agreement with two China banks for selling office building in November 2011; the selling price was RMB1,297,580 thousand (equivalent to NT\$5,994,495 thousand). As of January 1, 2012, Walsin (Nanjing) Construction Limited has received RMB610,191 thousand (equivalent to NT\$2,931,938 thousand) recorded as "advance receipts on real estate". As of December 31, 2012, the transaction has been completed and gross profit of RMB491,192 thousand (equivalent to NT\$2,304,133 thousand) has been recognized.

Walsin (Nanjing) Construction Limited entered into an agreement with third parties for selling real estate as of December 31, 2013; the selling price was RMB1,025,600 thousand (equivalent to NT\$5,013,769 thousand). As of December 31, 2013, Walsin (Nanjing) Construction Limited

has received RMB960,349 thousand (equivalent to NT\$4,694,783 thousand) and recorded as “advance receipts on real estate”.

Refer to Note 30 for the carrying amount of inventories pledged as security for bank borrowings of the Company.

### 13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets held for sale

|   | December 31,<br>2013 | December 31,<br>2012 | January 1,<br>2012 |
|---|----------------------|----------------------|--------------------|
| <u>Production line and sale of cables and wires</u>                                       |                      |                      |                    |
| Non-current assets held for sale  | \$ 3,955,006         | \$ 33,676            | \$ -               |
| Liabilities directly associated with<br>non-current assets classified as held for<br>sale | \$ 952,803           | \$ -                 | \$ -               |

The board of directors resolved to dispose of Dongguan Walsin Wire & Cable Co., Ltd on July 3, 2013 and Hangzhou Walsin Power Cable & Wire Co., Ltd. on November 28, 2013. The Company is actively seeking a buyer and expects to complete the transaction within 12 months. The assets and liabilities attributable to the production line were reclassified to disposal groups held for sale, and presented separately in the consolidated balance sheets. Refer to paragraph below for details. The production line was included in the Company’s cables and wires goods activities for segment reporting purposes.

The major classes of assets and liabilities of the production line classified as held for sale were as follows:

|  | December 31,<br>2012 |
|--|----------------------|
| Cash and cash equivalents  | \$ 141,680           |
| Trade receivables  | 1,244,474            |
| Inventories  | 511,785              |
| Other current assets   | 188,043              |
| Property, plant and equipment  | 1,597,472            |
| Other non-current assets   | <u>271,552</u>       |
| Non-current assets classified as held for sale   | <u>\$ 3,955,006</u>  |
| Trade payable  | \$ 185,935           |
| Other payable  | 184,615              |
| Other current liabilities  | 580,278              |
| Other non-current liabilities  | <u>1,975</u>         |
| Liabilities directly associated with non-current assets classified as<br>held for sale | <u>\$ 952,803</u>    |

As of December 31, 2013, the amount of non-current assets held for sale and the amount of liabilities directly associated with non-current assets held for sale had been excluded respectively

from the trade receivables NT\$2,410 thousand and other payable NT\$2,888,186 thousand due to internal transaction.

#### 14. FINANCIAL ASSETS MEASURED AT COST

|  | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012     |
|--|----------------------|----------------------|---------------------|
| Domestic unlisted common shares                                |                      |                      |                     |
| Kuong Tai Welding Ind. Co., Ltd.                               | \$ 101,548           | \$ 101,548           | \$ 101,548          |
| United Industrial Gases Co., Ltd.                              | -                    | 260,411              | -                   |
| Taiwan High Speed Rail Corp.                                   | 134,000              | 134,000              | 134,000             |
| Dachien Investing Corp.  | -                    | -                    | 413,303             |
| Powertec Energy Corp.  | 205,706              | -                    | 550,000             |
| Others   | 109,835              | 335,226              | 209,931             |
| Overseas unlisted common shares                                |                      |                      |                     |
| Shannxi Tianhong Silicon Industrial Corp.                      | 655,075              | 620,414              | 1,073,265           |
| Others   | <u>190,657</u>       | <u>96,939</u>        | <u>105,397</u>      |
|  | <u>\$ 1,396,821</u>  | <u>\$ 1,548,538</u>  | <u>\$ 2,587,444</u> |
| Classified according to financial asset measurement categories |                      |                      |                     |
| Available-for-sale financial assets                            | <u>\$ 1,396,821</u>  | <u>\$ 1,548,538</u>  | <u>\$ 2,587,444</u> |

Powertec Energy Corp. shares held by the Company had been recorded as “financial assets carried at cost - noncurrent”. On December 31, 2012, the Company increased ownership percentage of Powertec Energy Corp. due to Chin-Xin investment Co., Ltd. merger with Dachien Investing Corp. and Win Investment Inc. and gained significant influence on the investee; thus, the financial asset has been transferred to “investments accounted for using equity method”. On November 27, 2013, the Company sold parts of its interest in Chin-Xin and lost control but still had significant influence. While Chin-Xin was excluded from consolidation, the Company lost significant influence on Powertec Energy Corp; thus, in November 2013, the financial asset has been transferred back to “financial assets carried at cost - noncurrent”.

Jinhan Optoelectronics Material Co., Ltd. was held by the Company. In order to improve the operational efficiency, on May 28, 2013, the board of directors of Jinhan Optoelectronics Material Co., Ltd. approved to merge with Crystal Applied Technology Inc. The merger was effective on August 1, 2013. Crystal Applied Technology Inc. is the surviving company and Jinhan Optoelectronics Material Co., Ltd. is the dissolved company. Every two shares of Jinhan Optoelectronics Material Co., Ltd. converted into one share of Crystal Applied Technology Inc. The Company had sold 1,700,617 shares of Crystal Applied Technology Inc. to third parties at market value on the Taiwan Stock Exchange in the year ended December 31, 2013 that resulted in net gain of NT\$5,020 thousand which was recorded as gain on disposal of investment for the year ended December 31, 2013.

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



The Company recognized impairment loss on financial assets carried at cost of NT\$538,000 thousand and NT\$462,315 thousand for the years ended December 31, 2013 and 2012, respectively, after appropriate evaluation.

## 15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

| Name of Associate                              | December 31, 2013    |                      | December 31, 2012    |                      | January 1, 2012      |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | Carrying Value       | Ownership Percentage | Carrying Value       | Ownership Percentage | Carrying Value       | Ownership Percentage |
| Listed companies                               |                      |                      |                      |                      |                      |                      |
| Winbond Electronics Corp.                      | \$ 8,192,573         | 23.26                | \$ 7,739,853         | 23.28                | \$ 8,182,279         | 23.32                |
| Walton Advanced Engineering, Inc.              | 1,499,566            | 21.90                | 1,414,596            | 21.81                | 1,478,432            | 21.81                |
| Walsin Technology Corp.                        | 2,373,592            | 18.11                | 2,361,309            | 18.33                | 2,685,818            | 18.51                |
| Hannstar Board Corp.                           | -                    | -                    | 2,769,649            | 25.25                | 3,357,740            | 29.81                |
| Nuvoton Technology Corp.                       | -                    | -                    | 58,931               | 0.89                 | -                    | -                    |
| Unlisted companies:                            |                      |                      |                      |                      |                      |                      |
| WuXi Xingcheng Walsin Steel Products Co., Ltd. | 1,154,663            | 50.00                | -                    | -                    | -                    | -                    |
| Solarion AG                                    | -                    | 49.00                | -                    | 49.00                | 1,220,116            | 49.00                |
| Chin-Xin                                       | 2,260,375            | 37.67                | -                    | -                    | -                    | -                    |
| Others   | 1,413,334            |                      | 2,786,912            |                      | 1,288,523            |                      |
|  | <u>\$ 16,894,103</u> |                      | <u>\$ 17,131,250</u> |                      | <u>\$ 18,212,908</u> |                      |

Nuvoton Technology Corp. is a subsidiary of Winbond Electronics Corp. which is an investee company under the equity method, so the Company has significant influence on Nuvoton Technology Corp.

Publicly traded investments accounted for using the equity method were priced based on the closing price of those investments at the balance sheet date and were summarized as follows:

|                                   | December 31, 2013   | December 31, 2012   | January 1, 2012     |
|-----------------------------------|---------------------|---------------------|---------------------|
| Winbond Electronics Corp.         | <u>\$ 6,864,732</u> | <u>\$ 4,333,966</u> | <u>\$ 3,604,486</u> |
| Walton Advanced Engineering, Inc. | <u>\$ 1,173,024</u> | <u>\$ 920,878</u>   | <u>\$ 1,052,432</u> |
| Walsin Technology Corp.           | <u>\$ 1,000,014</u> | <u>\$ 899,527</u>   | <u>\$ 1,030,959</u> |
| Hannstar Board Corp.              | <u>\$ -</u>         | <u>\$ 1,520,152</u> | <u>\$ 1,597,178</u> |
| Nuvoton Technology Corp.          | <u>\$ -</u>         | <u>\$ 58,931</u>    | <u>\$ -</u>         |

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

|                            | December 31, 2013     | December 31, 2012                     | January 1, 2012       |
|----------------------------|-----------------------|---------------------------------------|-----------------------|
| Total assets               | <u>\$ 112,688,355</u> | <u>\$ 175,773,073</u>                 | <u>\$ 171,893,922</u> |
| Total liabilities          | <u>\$ 42,218,968</u>  | <u>\$ 92,841,192</u>                  | <u>\$ 90,210,630</u>  |
|                            |                       | <b>For the Year Ended December 31</b> |                       |
|                            |                       | <b>2013</b>                           | <b>2012</b>           |
| Revenue                    |                       | <u>\$ 56,426,153</u>                  | <u>\$ 118,214,394</u> |
| Loss for the period        |                       | <u>\$ (808,375)</u>                   | <u>\$ (2,919,240)</u> |
| Other comprehensive income |                       | <u>\$ 2,601,469</u>                   | <u>\$ (1,549,023)</u> |

The Company had sold 1,236 thousand shares of Walsin Technology Corp. and 20,910 thousand shares of Hannstar Board Corp. to third parties at market value on the Taiwan Stock Exchange in the year ended December 31, 2012 that resulted in net loss of NT\$20,944 thousand and NT\$194,768 thousand which was recorded as loss on disposal of investment for the year ended December 31, 2012.

To reorganize the investment structure of its group, the Company sold parts of its interest in Chin-Xin at fair value in 2013 and 2012; please refer to Note 29(10). After the disposal of Chin-Xin, the Company lost control and thus remeasured the remaining shares of Chin-Xin at fair value and transferred it to “investment accounted for using equity method”.

Analysis of asset and liabilities on the date control was lost is as follows:

|   |                     |
|---|---------------------|
| Current assets  |                     |
| Cash and cash equivalents                                       | \$ 1,749,939        |
| Financial assets at fair value through profit or loss - current | 58,265              |
| Other current assets  | 15                  |
| Non-current assets  |                     |
| Available-for-sale financial assets - non-current               | 2,762,100           |
| Investment accounted for using equity method                    | 2,261,657           |
| Financial assets measured at cost - non-current                 | 427,047             |
| Other non-current assets  | <u>3,410</u>        |
| Total assets  | <u>\$ 7,262,433</u> |
| Current liabilities   |                     |
| Short-term borrowings   | \$ 323,980          |
| Other payables  | 8,524               |
| Other current liabilities                                       | <u>15</u>           |
| Total liabilities   | <u>\$ 332,519</u>   |

- a. Loss on disposal of subsidiary. The Company recognized loss because of disposal of equity transactions and by remeasuring the remaining shares at fair value.

|   |                     |
|---|---------------------|
| Consideration received  | \$ 150,782          |
| The remaining investments at fair value                               | 2,279,872           |
| The carrying value of the investment of Chin-Xin on the disposal date | <u>(3,060,355)</u>  |
| Loss on disposal  | <u>\$ (629,701)</u> |

The loss on disposal of equity transactions and loss arisen from remeasuring the remaining shares at fair value amounted to NT\$590,428 thousand which were recorded as loss on disposal of investment.

b. The effect on cash flows from disposal of subsidiary

|   | <b>For the Year Ended<br/>December 31, 2013</b> |
|---|---|
| Consideration received in cash and cash equivalents | \$ 150,782                                      |
| Less: Cash and cash equivalent balances disposed of | <u>(1,749,939)</u>                              |
| Net decrease in cash and cash equivalent            | <u>\$ (1,599,157)</u>                           |

The Company's share of profit and other comprehensive income of associates for the years ended December 31, 2013 and 2012 was based on the associates' financial statements audited by independent accountants for the same period. The financial statements for the years ended December 31, 2013 and 2012 of certain equity-method investees were audited by other independent accountants. The Solarion AG's 2012 financial statements were not audited. The investments in such investee amounted to NT\$339,780 thousand, NT\$331,307 thousand and NT\$1,220,116 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively; investment loss amounted to NT\$254 thousand and NT\$112,287 thousand for the years ended December 31, 2013 and 2012. As of September 30, 2012, the Company lost the significant influence on Solarion AG's so the Company did not recognize investment gain or loss on Solarion AG for the fourth quarter of 2012.

## 16. PROPERTY, PLANT AND EQUIPMENT

|  | <b>Land</b>         | <b>Buildings and<br/>Improvements</b> | <b>Machinery and<br/>Equipment</b> | <b>Other<br/>Equipment</b> | <b>Prepayments<br/>for Purchase of<br/>Equipment and<br/>Construction in<br/>Progress</b> | <b>Total</b>                        |
|--|---------------------|---------------------------------------|------------------------------------|----------------------------|---|-------------------------------------|
| <u>Cost</u>  |                     |                                       |                                    |                            |   |                                     |
| Balance at January 1,<br>2012                                | \$ 2,389,608        | \$ 10,048,812                         | \$ 24,230,754                      | \$ 6,673,535               | \$ 3,468,019  | \$ 46,810,728                       |
| Additions  | 34,017              | 85,027                                | 1,840,710                          | 169,568                    | 5,594,624   | 7,723,946                           |
| Disposals  | -                   | (104,221)                             | (368,210)                          | (263,275)                  | (94,229)  | (829,935)                           |
| Reclassified   | -                   | 94,465                                | 593,821                            | 307,874                    | (996,160)   | -                                   |
| Transfer to non-current<br>assets held for sale              | -                   | -                                     | (81,743)                           | -                          | -   | (81,743)                            |
| Acquisition from<br>combination                              | -                   | -                                     | -                                  | 142                        | -   | 142                                 |
| Transfer to intangible<br>assets                             | -                   | -                                     | -                                  | -                          | (10,593)  | (10,593)                            |
| Transfer to other assets                                     | -                   | -                                     | -                                  | -                          | (66)  | (66)                                |
| Transfer to lease<br>receivables (current<br>and noncurrent) | -                   | -                                     | -                                  | -                          | (2,607,387)   | (2,607,387)                         |
| Effect of foreign<br>currency exchange<br>differences        | <u>-</u>            | <u>(193,388)</u>                      | <u>(577,436)</u>                   | <u>(157,269)</u>           | <u>(98,589)</u>   | <u>(1,026,682)</u>                  |
| Balance at January 1,<br>2012                                | <u>\$ 2,423,625</u> | <u>\$ 9,930,695</u>                   | <u>\$ 25,637,896</u>               | <u>\$ 6,730,575</u>        | <u>\$ 5,255,619</u>   | <u>\$ 49,978,410</u><br>(Continued) |

|   | Land                | Buildings and Improvements | Machinery and Equipment | Other Equipment     | Prepayments for Purchase of Equipment and Construction in Progress | Total                |
|---|---------------------|----------------------------|-------------------------|---------------------|--|----------------------|
| Accumulated depreciation and impairment                     |                     |                            |                         |                     |  |                      |
| Balance at January 1, 2012                                  | \$ 16,000           | \$ 4,240,018               | \$ 13,492,802           | \$ 4,165,648        | \$ -   | \$ 21,914,468        |
| Disposals   | -                   | (61,333)                   | (214,893)               | (248,614)           | -  | (524,840)            |
| Reclassified  | -                   | (81)                       | (8,413)                 | 8,494               | -  | -                    |
| Transfer to non-current assets held for sale                | -                   | -                          | (48,066)                | -                   | -  | (48,066)             |
| Acquisition from combination                                | -                   | -                          | -                       | 40                  | -  | 40                   |
| Depreciation expense  | -                   | 446,485                    | 1,500,969               | 495,239             | -  | 2,442,693            |
| Impairment losses recognized in profit or loss              | -                   | 7,963                      | 638,207                 | 72,357              | -  | 718,527              |
| Reversals of impairment losses recognized in profit or loss | -                   | -                          | -                       | (10)                | -  | (10)                 |
| Effect of foreign currency exchange differences             | -                   | (50,405)                   | (288,508)               | (30,463)            | -  | (369,376)            |
| Balance at December 31, 2012                                | <u>\$ 16,000</u>    | <u>\$ 4,582,647</u>        | <u>\$ 15,072,098</u>    | <u>\$ 4,462,691</u> | <u>\$ -</u>  | <u>\$ 24,133,436</u> |
| Carrying amounts at January 1, 2012                         | <u>\$ 2,373,608</u> | <u>\$ 5,808,794</u>        | <u>\$ 10,737,952</u>    | <u>\$ 2,507,887</u> | <u>\$ 3,468,019</u>  | <u>\$ 24,896,260</u> |
| Carrying amounts at December 31, 2012                       | <u>\$ 2,407,625</u> | <u>\$ 5,348,048</u>        | <u>\$ 10,565,798</u>    | <u>\$ 2,267,884</u> | <u>\$ 5,255,619</u>  | <u>\$ 25,844,974</u> |
| <b>Cost</b>   |                     |                            |                         |                     |  |                      |
| Balance at January 1, 2013                                  | \$ 2,423,625        | \$ 9,930,695               | \$ 25,637,896           | \$ 6,730,575        | \$ 5,255,619   | \$ 49,978,410        |
| Additions   | 60                  | 177,206                    | 738,261                 | 344,403             | 842,906  | 2,102,836            |
| Disposals   | (15,254)            | (106,330)                  | (1,854,430)             | (417,382)           | (5,108)  | (2,398,504)          |
| Reclassified  | -                   | 815,339                    | 3,489,031               | 902,246             | (5,206,616)  | -                    |
| Transfer to investment properties                           | (261,309)           | (390,089)                  | -                       | -                   | -  | (651,398)            |
| Transfer to other assets                                    | -                   | -                          | (137,910)               | 150,023             | -  | 12,113               |
| Transfer to lease receivables (current and noncurrent)      | -                   | -                          | -                       | -                   | (584,377)  | (584,377)            |
| Transfer to non-current assets held for sale                | -                   | (1,178,231)                | (2,059,385)             | (432,657)           | (23,193)   | (3,693,466)          |
| Transfer from inventories                                   | -                   | 300,946                    | -                       | -                   | -  | 300,946              |
| Effect of foreign currency exchange differences             | -                   | 279,489                    | 652,399                 | 233,510             | 35,725   | 1,201,123            |
| Balance at December 31, 2013                                | <u>\$ 2,147,122</u> | <u>\$ 9,829,025</u>        | <u>\$ 26,465,862</u>    | <u>\$ 7,510,718</u> | <u>\$ 314,956</u>  | <u>\$ 46,267,683</u> |

(Continued)

|   | Land                | Buildings and Improvements | Machinery and Equipment | Other Equipment     | Prepayments for Purchase of Equipment and Construction in Progress | Total                               |
|---|---------------------|----------------------------|-------------------------|---------------------|--|-------------------------------------|
| Accumulated depreciation and impairment                     |                     |                            |                         |                     |  |                                     |
| Balance at January 1, 2013                                  | \$ 16,000           | \$ 4,582,647               | \$ 15,072,098           | \$ 4,462,691        | \$ -   | \$ 24,133,436                       |
| Disposals   | (4,000)             | (23,154)                   | (1,528,766)             | (339,620)           | -  | (1,925,114)                         |
| Impairment losses recognized in profit or loss              | -                   | 1,325                      | 1,293,593               | 282,648             | -  | 1,577,566                           |
| Reversals of impairment losses recognized in profit or loss | -                   | -                          | (34,619)                | (12,975)            | -  | (18,020)                            |
| Depreciation expense  | -                   | 450,918                    | 1,483,624               | 491,530             | -  | 2,426,072                           |
| Reclassified  | -                   | (9,556)                    | (6,217)                 | 15,773              | -  | -                                   |
| Transfer to investment properties                           | -                   | (22,741)                   | -                       | -                   | -  | (22,741)                            |
| Transfer to non-current assets held for sale                | -                   | (391,237)                  | (1,401,623)             | (303,134)           | -  | (2,095,994)                         |
| Effect of foreign currency exchange differences             | -                   | 81,979                     | 179,136                 | 295,884             | -  | 556,999                             |
| Carrying amounts at December 31, 2013                       | <u>\$ 12,000</u>    | <u>\$ 4,670,181</u>        | <u>\$ 15,057,226</u>    | <u>\$ 4,892,797</u> | <u>\$ -</u>  | <u>\$ 24,632,204</u>                |
| Carrying amounts at December 31, 2013                       | <u>\$ 2,135,122</u> | <u>\$ 5,158,844</u>        | <u>\$ 11,408,636</u>    | <u>\$ 2,617,921</u> | <u>\$ 314,956</u>  | <u>\$ 21,635,479</u><br>(Concluded) |

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

|                            |            |
|----------------------------|------------|
| Buildings and improvements | 3-50 years |
| Machinery and equipment    | 3-20 years |
| Other equipment            | 3-15 years |

The Company's main building and electrical and mechanical power equipment are depreciated over their estimated useful lives of 50 years and 20 years, respectively.

WLC owns parcels of land which were registered in the name of certain individuals because of certain regulatory restrictions. To secure its ownership of such parcels of land, WLC keeps in its possession the land titles with the annotation of being pledged to WLC. As of December 31, 2013, December 31, 2012 and January 1, 2012, the recorded total carrying value of such parcels of land amounted to NT\$438,960 thousand, NT\$438,960 thousand and NT\$404,960 thousand, respectively.

Refer to Note 30 for the carrying amount of property, plant and equipment pledged as security for bank borrowings of the Company.

## 17. INVESTMENT PROPERTIES

|                                     | December 31, 2013    | December 31, 2012    | January 1, 2012      |
|-------------------------------------|----------------------|----------------------|----------------------|
| Completed investment property       | \$ 10,952,192        | \$ 9,310,254         | \$ 9,456,449         |
| Investment property in construction | <u>-</u>             | <u>1,525,263</u>     | <u>608,225</u>       |
|                                     | <u>\$ 10,952,192</u> | <u>\$ 10,835,517</u> | <u>\$ 10,064,674</u> |

|  | <b>Completed<br/>Investment<br/>Property</b> | <b>Investment<br/>Property in<br/>Construction</b> | <b>Total</b>         |
|--|--|--|----------------------|
| <u>Cost</u>  |  |  |                      |
| Balance at January 1, 2012                           | \$ 9,856,475                                 | \$ 608,225   | \$ 10,464,700        |
| Additions  | -  | 954,789  | 954,789              |
| Effect of foreign currency exchange differences      | <u>(3,220)</u>                               | <u>(37,751)</u>                                    | <u>(40,971)</u>      |
| Balance at December 31, 2012                         | <u>\$ 9,853,255</u>                          | <u>\$ 1,525,263</u>                                | <u>\$ 11,378,518</u> |
| Balance at January 1, 2013                           | \$ 9,853,255                                 | \$ 1,525,263                                       | \$ 11,378,518        |
| Additions  | 97,016                                       | -  | 97,016               |
| Disposals  | (92,333)                                     | -  | (92,333)             |
| Transferred from investment property in construction | 1,167,940                                    | (1,167,940)  | -                    |
| Transferred to inventories                           | -  | (415,719)  | (415,719)            |
| Transferred from property, plant and equipment       | 651,398                                      | -  | 651,398              |
| Effect of foreign currency exchange differences      | <u>26,947</u>                                | <u>58,396</u>                                      | <u>85,343</u>        |
| Balance at December 31, 2013                         | <u>\$ 11,704,223</u>                         | <u>\$ -</u>  | <u>\$ 11,704,223</u> |
| <u>Accumulated depreciation and impairment</u>       |  |  |                      |
| Balance at January 1, 2012                           | \$ 400,026                                   | \$ -   | \$ 400,026           |
| Depreciation expense                                 | 150,341                                      | -  | 150,341              |
| Effect of foreign currency exchange differences      | <u>(7,366)</u>                               | <u>-</u>   | <u>(7,366)</u>       |
| Balance at December 31, 2012                         | <u>\$ 543,001</u>                            | <u>\$ -</u>  | <u>\$ 543,001</u>    |
| Balance at January 1, 2013                           | \$ 543,001                                   | \$ -   | \$ 543,001           |
| Disposals  | (1,923)                                      | -  | (1,923)              |
| Depreciation expense                                 | 183,782                                      | -  | 183,782              |
| Transferred from property, plant and equipment       | 22,741                                       | -  | 22,741               |
| Effect of foreign currency exchange differences      | <u>4,430</u>                                 | <u>-</u>   | <u>4,430</u>         |
| Balance at December 31, 2013                         | <u>\$ 752,031</u>                            | <u>\$ -</u>  | <u>\$ 752,031</u>    |

The completed investment properties are depreciated under straight-line method over 20 to 55 years.

The main investment properties of the Company are the Walsin Xin Yi Building and completed investment properties of Walsin (Nanjing) Construction Limited. The building valuation was commissioned by independent rating agencies (a third party). As of December 31, 2013, December 31, 2012 and January 1, 2012, the completed investment properties' real estate value was NT\$29,954,492 thousand, NT\$24,682,773 thousand and NT\$24,502,090 thousand. The valuation was made by reference to market evidence of real estate transaction prices.

## 18. PREPAYMENTS FOR LEASE

|                   | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012     |
|-------------------|----------------------|----------------------|---------------------|
| Current asset     | \$ 32,150            | \$ 30,379            | \$ 20,050           |
| Non-current asset | <u>1,194,362</u>     | <u>1,536,079</u>     | <u>1,632,457</u>    |
|                   | <u>\$ 1,226,512</u>  | <u>\$ 1,566,458</u>  | <u>\$ 1,652,507</u> |

Prepaid lease payments include land use right which are located in Mainland China.

## 19. BORROWINGS

|                                    | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012      |
|------------------------------------|----------------------|----------------------|----------------------|
| Short-term bank borrowings         | <u>\$ 9,614,797</u>  | <u>\$ 11,772,817</u> | <u>\$ 12,378,037</u> |
| Short-term bills payable           | <u>\$ -</u>          | <u>\$ 95,956</u>     | <u>\$ -</u>          |
| Current portion of long-term debts | <u>\$ 9,068,283</u>  | <u>\$ 126,174</u>    | <u>\$ 27,134,125</u> |
| Long-term bank borrowings          | <u>\$ 12,103,582</u> | <u>\$ 19,589,042</u> | <u>\$ 1,106,077</u>  |

- a. Short-term bank borrowings as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

|                             | December 31, 2013  |                     | December 31, 2012  |                      | January 1, 2012    |                      |
|-----------------------------|--------------------|---------------------|--------------------|----------------------|--------------------|----------------------|
|                             | Interest<br>Rate % | Amount              | Interest<br>Rate % | Amount               | Interest<br>Rate % | Amount               |
| Materials procurement loans | 0.94-3.60          | \$ 1,354,799        | 0.86-1.55          | \$ 3,415,526         | 0.82-2.28          | \$ 947,171           |
| Bank lines of credit        | 1.12-3.00          | <u>8,259,998</u>    | 1.13-4.00          | <u>8,357,291</u>     | 0.08-6.63          | <u>11,430,866</u>    |
|                             |                    | <u>\$ 9,614,797</u> |                    | <u>\$ 11,772,817</u> |                    | <u>\$ 12,378,037</u> |

- b. Short-term bills payable as of December 31, 2012 were as follows:

December 31, 2012

| Institution  | Nominal<br>Amount | Discount<br>Amount | Carrying<br>Value | Rate        |
|--|-------------------|--------------------|-------------------|-------------|
| International Bills Finance Corporation/Mega Bills Finance Co., Ltd. | <u>\$ 96,000</u>  | <u>\$ 44</u>       | <u>\$ 95,956</u>  | 1.47%-1.49% |

Refer to Notes 6, 11, 16 and 30 for collaterals pledged for short-term bank borrowings as of December 31, 2013, December 31, 2012 and January 1, 2012.

- c. Long-term bank borrowings as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

|   | December 31, 2013  |                 |                      | December 31,<br>2012 | January 1,<br>2012  |
|---|--|-----------------|----------------------|----------------------|---------------------|
|   | Significant Covenant   | Rate            | Amount               | Amount               | Amount              |
| Bank of Taiwan and others   | Credit loan; every year to repay the principal at 10%, 10%, 15%, 15%, 50% from the end of the third year from drawing date (August 2012) | 1.59%           | \$ 10,200,000        | \$ 10,200,000        | \$ -                |
| East West Bank  | Monthly interest and principal repayments  | 5.13%           | 1,283,690            | 1,316,317            | 837,233             |
| Cathay United Bank  | Credit loan; monthly interest and principal repayments until maturity from June 15, 2012   | 2.50%           | 255,329              | 274,970              | 313,000             |
| Cathay United Bank  | Credit loan; monthly interest and principal repayments until maturity from March 27, 2013  | 2.75%           | 249,908              | 141,000              | -                   |
| Cathay United Bank  | Credit loan; monthly interest and principal repayments until maturity from August 21, 2012   | 2.50%           | 216,115              | 232,529              | -                   |
| Mega International Commercial Bank and others   | Secured loan; interest and principal repayment in full at maturity on August 10, 2014  | 0.88%-<br>1.31% | 8,911,823            | 7,550,400            | 10,323,775          |
| Taipei Fubon Bank   | Credit loan; monthly interest and principal repayments until maturity from June 25, 2014   | 2.50%           | 55,000               | -                    | -                   |
| Hong Kong and Shanghai Banking Corporation and others   | Secured loan; principal repayment in full at maturity on June 9, 2011 (24 months extension upon application)                             | -               | -                    | -                    | 7,235,725           |
| Hua Nan Commercial Bank and others  | Credit loan; principal repayments are due at 50% each at the end of the fourth and fifth year from drawing date (November 2008)          | -               | -                    | -                    | 6,000,000           |
| Hong Kong and Shanghai Banking Corporation and others   | Credit loan; principal repayments are due at 50% each at the end of the fourth and fifth year from drawing date (November 2007)          | -               | -                    | -                    | 3,500,000           |
| Loan for promoting industry development provided by Industrial Development Bureau, Ministry of Economic Affairs | Project loan; interest 1%, monthly interest payment and quarterly principal repayments until maturity from October 15, 2008              | -               | -                    | -                    | 30,469              |
|   |  |                 | 21,171,865           | 19,715,216           | 28,240,202          |
| Less current portion of long-term debts   |  |                 | (9,068,283)          | (126,174)            | (6,574,625)         |
| Less current portion due to breach of contract  |  |                 | -                    | -                    | (20,559,500)        |
|   |  |                 | <u>\$ 12,103,582</u> | <u>\$ 19,589,042</u> | <u>\$ 1,106,077</u> |

Under the loan agreements with Bank of Taiwan and Mega International Commercial Bank, WLC should maintain certain financial ratios calculated on annual and semi-annual consolidated financial statements audited by independent auditors, during the loan term. The financial ratios are as follows:

- 1) Ratio of current assets to current liabilities not less than 100%;
- 2) Ratio of total liabilities less cash and cash equivalents to tangible net worth not more than 120%;



- 3) Ratio of net income before interest expenses, taxation, depreciation and amortization to interest expenses not less than 150%;
- 4) Tangible net worth (net worth less intangible assets) not less than NT\$50,000,000 thousand.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company's current portion of long-term liabilities was NT\$9,068,283 thousand, NT\$126,174 thousand and NT\$6,574,625 thousand under the loan agreement, respectively. However, at December 31, 2011, in order to meet the required ratio of net income before interest expenses, taxation, depreciation and amortization to interest expenses, the Company reclassified its long-term debts in the amount of NT\$20,559,500 thousand to current portion of long-term liabilities. The Company had obtained waiver from the banks in May 2012. The Company's consolidated financial reports for the year ended December 31, 2012 and for the years ended December 31, 2013 and 2012 showed that the Company was in compliance with these ratio requirements.

Refer to Note 30 for collaterals pledged on bank borrowings as of December 31, 2013, December 31, 2012 and January 1, 2012.

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

WLC and its subsidiaries in ROC adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Based on the LPA, WLC and its subsidiaries in ROC make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expense recognized in profit or loss for the years ended December 31, 2013 and 2012 was NT\$61,047 thousand and NT\$75,794 thousand, respectively, which represents contributions payable to these plans by the Company at rates specified in the rules of the plans.

### b. Defined benefit plans

WLC and Walsin Info-Electric adopted the defined benefit plan under the LSL; pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. WLC and Walsin Info-Electric contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

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

|                                     | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|-------------------------------------|------------------------------|------------------------------|------------------------|
| Discount rate                       | 1.75%-2.00%                  | 1.50%-1.75%                  | 1.70%-1.75%            |
| Expected return on plan assets      | 1.75%-2.00%                  | 1.75%-2.00%                  | 2.00%                  |
| Expected rate(s) of salary increase | 2.00%                        | 2.00%                        | 2.00%                  |

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

|   | <b>2013</b>      | <b>2012</b>      |
|---|------------------|------------------|
| Current service cost                                  | \$ 18,062        | \$ 19,754        |
| Interest cost   | 23,081           | 22,930           |
| Expected return on plan assets                        | (308)            | (229)            |
| Past service cost                                     | (480)            | (480)            |
| Losses/(gains) arising from curtailment or settlement | <u>(1,880)</u>   | <u>(4,960)</u>   |
|   | <u>\$ 38,475</u> | <u>\$ 37,015</u> |

An analysis by function

|                                   |                  |                  |
|-----------------------------------|------------------|------------------|
| Operating cost                    | \$ 23,801        | \$ 24,435        |
| Marketing expenses                | 2,950            | 2,405            |
| Administration expenses           | 11,678           | 10,128           |
| Research and development expenses | <u>46</u>        | <u>47</u>        |
|                                   | <u>\$ 38,475</u> | <u>\$ 37,015</u> |

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012 were NT\$85,756 thousand and NT\$80,079 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2013 and 2012 was NT\$5,677 thousand and NT\$80,079 thousand, respectively.

The amount included in the consolidated balance sheets for the Company's obligation in respect of its defined benefit plans was as follows:

|   | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|---|------------------------------|------------------------------|------------------------|
| Present value of funded defined benefit obligation    | \$ 1,206,243                 | \$ 1,342,743                 | \$ 1,318,843           |
| Fair value of plan assets                             | <u>(16,122)</u>              | <u>(25,300)</u>              | <u>(11,827)</u>        |
| Deficit   | 1,190,121                    | 1,317,443                    | 1,307,016              |
| Past service cost not yet recognized                  | <u>5,455</u>                 | <u>5,935</u>                 | <u>6,415</u>           |
| Net liability arising from defined benefit obligation | <u>\$ 1,195,576</u>          | <u>\$ 1,323,378</u>          | <u>\$ 1,313,431</u>    |

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

|                                    | <b>For the Year Ended December 31</b> |                     |
|------------------------------------|---------------------------------------|---------------------|
|                                    | <b>2013</b>                           | <b>2012</b>         |
| Opening defined benefit obligation | \$ 1,342,743                          | \$ 1,318,843        |
| Current service cost               | 18,062                                | 19,754              |
| Interest cost                      | 23,081                                | 22,930              |
| Actuarial (gains) losses           | (82,393)                              | 27,273              |
| Gains on curtailments              | (1,880)                               | (4,960)             |
| Benefits paid                      | (66,565)                              | (38,505)            |
| Account paid                       | <u>(26,805)</u>                       | <u>(2,592)</u>      |
| Closing defined benefit obligation | <u>\$ 1,206,243</u>                   | <u>\$ 1,342,743</u> |

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

|                                   | <b>For the Year Ended December 31</b> |                  |
|-----------------------------------|---------------------------------------|------------------|
|                                   | <b>2013</b>                           | <b>2012</b>      |
| Opening fair value of plan assets | \$ 25,300                             | \$ 11,827        |
| Expected return on plan assets    | 308                                   | 229              |
| Actuarial gains (losses)          | (115)                                 | (90)             |
| Contributions from the employer   | 57,194                                | 51,839           |
| Plan assets paid                  | <u>(66,565)</u>                       | <u>(38,505)</u>  |
| Closing fair value of plan assets | <u>\$ 16,122</u>                      | <u>\$ 25,300</u> |

The major categories of plan assets at the end of the reporting period were disclosed based on the information announced by the Labor Pension Fund Supervisory Committee.

The overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, with reference to the use of the Labor Pension Fund by the Labor Pension Fund Supervisory Committee, taking into consideration the effect of possible differences between the guaranteed minimum income and the return on local banks' two-year time deposits.

## 21. EQUITY

|                           | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|---------------------------|------------------------------|------------------------------|------------------------|
| Share capital             |                              |                              |                        |
| Common shares             | \$ 35,760,002                | \$ 36,160,002                | \$ 36,160,002          |
| Capital surplus           | 15,629,054                   | 15,742,724                   | 15,724,835             |
| Retained earnings         | 7,758,681                    | 10,417,431                   | 13,882,463             |
| Others                    | 823,535                      | (3,615,988)                  | (2,580,595)            |
| Treasury shares           | -                            | (1,055,961)                  | (769,842)              |
| Non-controlling interests | <u>2,226,005</u>             | <u>4,218,690</u>             | <u>1,871,925</u>       |
|                           | <u>\$ 62,197,277</u>         | <u>\$ 61,866,898</u>         | <u>\$ 64,288,788</u>   |

## a. Share capital

Common shares

|   | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|---|------------------------------|------------------------------|------------------------|
| Number of shares authorized (in thousands)            | <u>6,500,000</u>             | <u>6,500,000</u>             | <u>6,500,000</u>       |
| Amount of authorized shares                           | <u>\$ 65,000,000</u>         | <u>\$ 65,000,000</u>         | <u>\$ 65,000,000</u>   |
| Number of shares issued and fully paid (in thousands) | <u>3,576,001</u>             | <u>3,616,001</u>             | <u>3,616,001</u>       |
| Amount of issued shares                               | <u>\$ 35,760,002</u>         | <u>\$ 36,160,002</u>         | <u>\$ 36,160,002</u>   |

As of December 31, 2012 and January 1, 2012, the balance of WLC's capital account was NT\$36,160,002 thousand, divided into 3,616,001 thousand shares at NT\$10.00 par value.

WLC cancelled 40,000 thousand shares treasury stock in June 2013. As of December 31, 2013, the balance of WLC's capital account was NT\$35,760,002 thousand, divided into 3,576,001 thousand shares at NT\$10.00 par value.

## b. Capital surplus

|   | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|---|------------------------------|------------------------------|------------------------|
| Arising from issuance of common shares                        | \$ 10,938,230                | \$ 11,060,582                | \$ 11,042,685          |
| Arising from treasury share transactions                      | 1,589,157                    | 1,580,468                    | 1,580,468              |
| Arising from gain on disposal of property plant and equipment | 2,074,231                    | 2,074,231                    | 2,074,231              |
| Others  | <u>1,027,436</u>             | <u>1,027,443</u>             | <u>1,027,451</u>       |
|   | <u>\$ 15,629,054</u>         | <u>\$ 15,742,724</u>         | <u>\$ 15,724,835</u>   |

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

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

## c. Retained earnings and dividend policy

Based on the Company Law of the ROC and WLC's Articles of Incorporation, 10% of WLC's annual earnings, net of tax and any deficit, should be appropriated as legal reserve until this reserve equals WLC's paid-in capital. Also, the Company appropriated earnings to special reserve based on the applicable laws and regulations.

Any remaining balance of distributable earnings, unless it will be retained partially by WLC or resolved otherwise by the stockholders, should be appropriated in the following order:

- 1) 91.5% as dividends;
- 2) 3% as bonus to employees;
- 3) 1.5% as remuneration to directors and supervisors; and
- 4) All or part of the remainder as special reserve.

Due to deficit at December 31, 2013 and 2012, WLC did not accrue for bonus to employees and remuneration to directors and supervisors for the years ended December 31, 2013 and 2012. Material differences between such estimated amounts and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the stockholders' meeting.

Under Rule No. 100116 and Rule No. 0950000507 issued by the FSC, an amount equal to the net debit balance of certain shareholders' equity accounts (including unrealized revaluation increment, unrealized gain or loss on financial instruments, net loss not recognized as pension cost, cumulative translation adjustments) shall be transferred from unappropriated earnings to special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

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

The stockholders of WLC approved the reversal of special reserve in the amount of NT\$2,354,409 thousand under Rule No. 100116 issued by the FSC and used the special reserve of NT\$368,627 thousand to offset deficit on June 12, 2012. There were no available earnings for distribution after offset of deficit at the end of year.

The stockholders of WLC approved the reversal of special reserve in the amount of NT\$794,296 thousand under Rule No. 100116 issued by the FSC and also approved to use special reserve of NT\$1,136,328 thousand and legal reserve of NT\$2,986,426 thousand to offset deficit on June 11, 2013. There were no available earnings for distribution after offset of deficit at the end of year.

The appropriation of 2012 earnings was based on WLC's financial statements which were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the Financial Supervisory Commission of the Republic of China and ROC GAAP and were also based on WLC's Balance Sheets prepared in accordance with the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the Financial Supervisory Commission of the Republic of China and IFRSs.

On March 5, 2014, the board of directors approved not to make distribution from 2013 earnings except to make up for deficit for the year. The 2013 offset of deficit will be resolved in the shareholders meeting scheduled on June 11, 2014.

Information on the bonus to employees directors and supervisors proposed by the stockholders of WLC is available on the Market Observation Post System (MOPS) on the web site of the Taiwan Stock Exchange.

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

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

|                 | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012 |
|-----------------|----------------------|----------------------|-----------------|
| Special reserve | \$ <u>2,713,159</u>  | \$ <u>-</u>          | \$ <u>-</u>     |

Information regarding the above special reserve was as follows:

|   | December 31,<br>2013 |
|---|----------------------|
| Balance at December 31, 2012 and January 1, 2012                              | \$ -                 |
| Appropriation on January 1, 2013  | 2,933,130            |
| Reversed on elimination of the original need to appropriate a special reserve |                      |
| Disposal of subsidiaries  | (85,045)             |
| Disposal of associates  | <u>(134,926)</u>     |
| Balance at December 31, 2013  | <u>\$ 2,713,159</u>  |

e. Other equity items

1) Foreign currency translation reserve

|  | 2013              | 2012                  |
|--|-------------------|-----------------------|
| Balance at January 1   | \$ (1,478,713)    | \$ -                  |
| Share of exchange difference of associates accounted for using the equity method | 1,761,012         | (1,478,713)           |
| Disposal of associates accounted for using the equity method                     | (18,051)          | -                     |
| Disposal of subsidiaries   | <u>53,018</u>     | <u>-</u>              |
| Balance at December 31   | <u>\$ 317,266</u> | <u>\$ (1,478,713)</u> |

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

2) Investments revaluation reserve

|  | 2013              | 2012                  |
|--|-------------------|-----------------------|
| Balance at January 1   | \$ (2,136,988)    | \$ (2,518,591)        |
| Unrealized gain arising on revaluation of available-for-sale financial assets  | 1,701,228         | 12,769                |
| Disposal of associates accounted for using the equity method   | 53,457            | -                     |
| Disposal of subsidiaries   | (250,254)         | -                     |
| Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method | <u>1,138,826</u>  | <u>368,834</u>        |
| Balance at December 31   | <u>\$ 506,269</u> | <u>\$ (2,136,988)</u> |

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

3) Cash flow hedging reserve

|   | 2013        | 2012            |
|---|-------------|-----------------|
| Balance at January 1  | \$ (287)    | \$ (62,004)     |
| Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges |             |                 |
| Forward foreign exchange contracts  | 287         | (3,858)         |
| Interest rate swaps   | -           | 46,953          |
| Others  | <u>-</u>    | <u>18,622</u>   |
| Balance at December 31  | <u>\$ -</u> | <u>\$ (287)</u> |

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that was recognized and accumulated under the heading cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item.

f. Treasury shares

Treasury stock transactions for the year ended December 31, 2013 were summarized as follows:

| Purpose of Reacquisition of Common Shares                      | Number of Treasury Shares as of January 1, 2013 | Treasury Share Increase During the Period | Treasury Share Decrease During the Period | Number of Treasury Shares as of December 31, 2013 |
|--|---|---|---|---|
| Common shares held by WLC as reserve for employees' incentives | 40,000,000                                      | -   | 40,000,000                                | -   |
| Common shares held by subsidiaries                             | <u>102,187,289</u>                              | <u>-</u>                                  | <u>102,187,289</u>                        | <u>-</u>  |
|  | <u>142,187,289</u>                              | <u>-</u>                                  | <u>142,187,289</u>                        | <u>-</u>  |

Treasury stock transactions for the year ended December 31, 2012 were summarized as follows:

| Purpose for Reacquisition of Common Shares  | Number of Treasury Shares as of January 1, 2012 | Treasury Share Increase During the Period | Treasury Share Decrease During the Period | Number of Treasury Shares as of December 31, 2012 |
|---|---|---|---|---|
| Common shares held by WLC as reserve for employee incentives  | 40,000,000                                      | -   | -   | 40,000,000  |
| Common shares held by subsidiaries are reclassified from long-term equity investment to treasury stocks | <u>18,966,701</u>                               | <u>83,220,588</u>                         | <u>-</u>                                  | <u>102,187,289</u>                                |
|   | <u>58,966,701</u>                               | <u>83,220,588</u>                         | <u>-</u>                                  | <u>142,187,289</u>                                |

The Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

| Name of Subsidiary            | Number of Shares Held (In Thousands) | Carrying Amount   | Market Price        |
|-------------------------------|--------------------------------------|-------------------|---------------------|
| <u>December 31, 2012</u>      |                                      |                   |                     |
| Chin-Xin Investment Co., Ltd. | 102,187,289                          | <u>\$ 542,298</u> | <u>\$ 1,013,698</u> |
| <u>January 1, 2012</u>        |                                      |                   |                     |
| Chin-Xin Investment Co., Ltd. | 18,966,701                           | <u>\$ 256,179</u> | <u>\$ 165,390</u>   |



On November 27, 2012, the board of directors approved to merge of Dachien Investing Corp. and Win Investment Inc. and Chin-Xin Investment Co., Ltd. Chin-Xin Investment Co., Ltd. was the surviving company. The merger was effective on December 31, 2012. As of December 31, 2012, Dachien Investing Corp. and Win Investment Inc. held 66,720,538 shares and 16,500,050 shares, respectively, of WLC. After the merger, the shares assumed by Chin-Xin Investment Co., Ltd. were recorded as treasury stock. In November 2013, the Company sold parts of its interest in Chin-Xin and lost control. Chin-Xin was transferred to investments in associates so the WLC shares held by Chin-Xin were not accounted for as treasury stocks.

Article 28.2 of the Securities and Exchange Law stipulates that the number of treasury shares held by WLC should not exceed 10% of the number of shares issued and that the cost of acquisition of treasury shares should not exceed the total of retained earnings, additional-paid-in capital and other realized capital surplus. In addition, WLC shall neither pledge treasury stock nor exercise shareholders' rights on these shares, such as rights to dividends and to vote, or exercise other stockholder's rights on the treasury stock.

WLC's stock held by subsidiaries is treated as treasury stock, and the holders are entitled to the rights of shareholders, except for the right to participate in WLC's share issuance for cash and vote in shareholders' meeting.

## 22. REVENUE

|  | <b>For the Year Ended December 31</b> |                       |
|--|---------------------------------------|-----------------------|
|  | <b>2013</b>                           | <b>2012</b>           |
| Sales revenue                          | \$ 146,014,928                        | \$ 155,825,175        |
| Revenue from the rendering of services | 407,908                               | 468,863               |
| Construction contract revenue          | 1,433,672                             | 562,761               |
| Rental income from property            | 617,542                               | 511,280               |
| Other revenue                          | <u>160,907</u>                        | <u>94,972</u>         |
|  | <u>\$ 148,634,957</u>                 | <u>\$ 157,463,051</u> |

## 23. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

### Non-operating income and expense-other income

|                                 | <b>For the Year Ended December 31</b> |                   |
|---------------------------------|---------------------------------------|-------------------|
|                                 | <b>2013</b>                           | <b>2012</b>       |
| Relocation compensation revenue | \$ 532,601                            | \$ -              |
| Others                          | <u>210,675</u>                        | <u>221,810</u>    |
|                                 | <u>\$ 743,276</u>                     | <u>\$ 221,810</u> |

Relocation compensation revenue consisted of the compensation revenue of Jiangyin Walsin Steel Cable Co., Limited of RMB121,554 thousand (equivalent to NT\$571,035 thousand), which is due to the resumption of land-use right from the finance bureau of Jiangyin high-tech industrial development zone and the deduction of the book value of plants, and land-use rights of RMB8,181 thousand (equivalent to NT\$38,434 thousand).

Non-operating income and expense-loss on disposal of investment

|  | <b>For the Year Ended December 31</b> |                     |
|--|---------------------------------------|---------------------|
|  | <b>2013</b>                           | <b>2012</b>         |
| Gain (loss) on disposal of investment - commodity futures settled  | \$ 1,042,667                          | \$ (179,496)        |
| Gain (loss) on disposal of investments - forward exchange contracts settled                              | 23,332                                | (106,404)           |
| Loss on disposal of investment - exchange rate swap contracts settled                                    | (4,825)                               | (20,851)            |
| Gain (loss) on disposal of investments accounted for using equity method (Note 15)                       | (1,646,684)                           | (297,572)           |
| Gain (loss) on disposal of investments - financial assets at fair value through profit or loss - current | (12,187)                              | -                   |
| Gain on disposal of investments - financial asset measured cost - noncurrent                             | 4,308                                 | 96,859              |
| Loss on disposal of investments - available-for-sale financial assets - current                          | <u>(2,431)</u>                        | <u>(223,373)</u>    |
|  | <u>\$ (595,820)</u>                   | <u>\$ (730,837)</u> |

Non-operating income and expense-impairment loss

|   | <b>For the Year Ended December 31</b> |                     |
|---|---------------------------------------|---------------------|
|   | <b>2013</b>                           | <b>2012</b>         |
| Property, plant and equipment                   | \$ 1,559,546                          | \$ 718,517          |
| Financial assets measured at cost - non-current | 538,000                               | 462,315             |
| Held-to-maturity financial assets - non-current | -                                     | 227,340             |
| Investment accounted for using equity method    | -                                     | 1,261,265           |
| Others  | <u>440,484</u>                        | <u>-</u>            |
|   | <u>\$ 2,538,030</u>                   | <u>\$ 2,669,437</u> |

Employee benefits expense, depreciation and amortization

|                                | <b>For the Year Ended December 31, 2013</b> |                           |   |                     |
|--------------------------------|---|---------------------------|---|---------------------|
|                                | <b>Operating Costs</b>                      | <b>Operating Expenses</b> | <b>Nonoperating Expenses and Losses</b> | <b>Total</b>        |
| Short-term employment benefits | \$ 2,338,718                                | \$ 1,376,833              | \$ -                                    | \$ 3,715,551        |
| Post-employment benefits       | <u>\$ 154,045</u>                           | <u>\$ 87,250</u>          | <u>\$ -</u>                             | <u>\$ 241,295</u>   |
| Other employee benefits        | <u>\$ 311,169</u>                           | <u>\$ 151,480</u>         | <u>\$ -</u>                             | <u>\$ 462,649</u>   |
| Depreciation                   |   |                           |   |                     |
| Property, plant and equipment  | \$ 2,086,751                                | \$ 338,306                | \$ 1,015                                | \$ 2,426,072        |
| Investment property            | <u>146,229</u>                              | <u>37,553</u>             | <u>-</u>                                | <u>183,782</u>      |
|                                | <u>\$ 2,232,980</u>                         | <u>\$ 375,859</u>         | <u>\$ 1,015</u>                         | <u>\$ 2,609,854</u> |
| Amortization                   | <u>\$ 11,795</u>                            | <u>\$ 92,621</u>          | <u>\$ 5,597</u>                         | <u>\$ 110,013</u>   |

**For the Year Ended December 31, 2012**

|                                | <b>Operating<br/>Costs</b> | <b>Operating<br/>Expenses</b> | <b>Nonoperating<br/>Expenses and<br/>Losses</b> | <b>Total</b>        |
|--------------------------------|----------------------------|-------------------------------|---|---------------------|
| Short-term employment benefits | <u>\$ 2,099,628</u>        | <u>\$ 1,687,986</u>           | <u>\$ -</u>                                     | <u>\$ 3,787,614</u> |
| Post-employment benefits       | <u>\$ 192,855</u>          | <u>\$ 101,651</u>             | <u>\$ -</u>                                     | <u>\$ 294,506</u>   |
| Other employee benefits        | <u>\$ 269,812</u>          | <u>\$ 164,540</u>             | <u>\$ -</u>                                     | <u>\$ 434,352</u>   |
| Depreciation                   |                            |                               |   |                     |
| Property, plant and equipment  | \$ 2,097,160               | \$ 345,533                    | \$ -  | \$ 2,442,693        |
| Investment property            | <u>145,452</u>             | <u>4,889</u>                  | <u>-</u>  | <u>150,341</u>      |
|                                | <u>\$ 2,242,612</u>        | <u>\$ 350,422</u>             | <u>\$ -</u>                                     | <u>\$ 2,593,034</u> |
| Amortization                   | <u>\$ 6,890</u>            | <u>\$ 89,195</u>              | <u>\$ 8,716</u>                                 | <u>\$ 104,801</u>   |

**24. INCOME TAXES RELATING TO CONTINUING OPERATIONS**

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

|   | <b>For the Year Ended December 31</b> |                     |
|---|---------------------------------------|---------------------|
|   | <b>2013</b>                           | <b>2012</b>         |
| Current tax                                     |                                       |                     |
| In respect of the current year                  | \$ (588,848)                          | \$ (87,538)         |
| In respect of prior periods                     | (75,980)                              | 19,046              |
| Others  | <u>(846)</u>                          | <u>2</u>            |
|   | <u>(665,674)</u>                      | <u>(68,490)</u>     |
| Deferred tax                                    |                                       |                     |
| In respect of the current year                  | <u>780,959</u>                        | <u>1,429,807</u>    |
| Income tax expense recognized in profit or loss | <u>\$ 115,285</u>                     | <u>\$ 1,361,317</u> |

A reconciliation of accounting profit and income tax expenses, average effective tax rate and the applicable tax rate is as follows:

|   | <b>For the Year Ended December 31</b> |                       |
|---|---------------------------------------|-----------------------|
|   | <b>2013</b>                           | <b>2012</b>           |
| Profit before tax from continuing operations  | <u>\$ (2,316,137)</u>                 | <u>\$ (1,763,522)</u> |
| Income tax expense calculated at the statutory rate                                 | (901,363)                             | (549,116)             |
| Equity in investees' net loss   | 477,303                               | 587,295               |
| Dividend income   | (1,544)                               | (2,100)               |
| Net (gain) loss on disposal of investments  | (226,000)                             | 36,700                |
| Others  | 62,756                                | (160,317)             |
| Unrecognized loss carryforwards/deductible temporary differences/investment credits | 780,959                               | 1,429,807             |
| Adjustments for prior years' tax  | (75,980)                              | 19,046                |
| Others  | <u>(846)</u>                          | <u>2</u>              |
| Income tax expense recognized in profit or loss                                     | <u>\$ 115,285</u>                     | <u>\$ 1,361,317</u>   |

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

b. Current tax assets and liabilities

|  | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012   |
|--|----------------------|----------------------|-------------------|
| Current tax assets   |                      |                      |                   |
| Tax refund receivable (recorded<br>under other non-current assets) | <u>\$ 198,102</u>    | <u>\$ 158,501</u>    | <u>\$ 2,356</u>   |
| Current tax liabilities  |                      |                      |                   |
| Income tax payable   | <u>\$ 173,230</u>    | <u>\$ 923,755</u>    | <u>\$ 430,867</u> |

c. Deferred tax assets and liabilities:

|  | December 31,<br>2013 | December 31,<br>2012 | January 1,<br>2012  |
|--|----------------------|----------------------|---------------------|
| Deferred tax assets  |                      |                      |                     |
| Net operating loss carryforwards   | \$ 852,767           | \$ 380,387           | \$ 143,612          |
| Pension expense not currently deductible   | 232,000              | 227,000              | 222,000             |
| Provision for devaluation loss on<br>obsolete and slow-moving inventories                                  | 45,575               | 43,848               | 161,058             |
| Provision for impairment loss on idle<br>assets  | 16,000               | 16,000               | 16,000              |
| Unrealized gross profit from<br>intercompany transactions  | 403                  | 142,329              | 374,531             |
| Provision for permanent devaluation loss<br>on long-term investments                                       | 72,460               | 76,000               | 448,460             |
| Difference between financial and tax<br>accounting of the depreciation of<br>property, plant and equipment | (45,604)             | (60,595)             | 35,437              |
| Others   | 297,992              | 308,812              | 139,090             |
| Deferred income tax liabilities  |                      |                      |                     |
| Difference between financial and tax<br>accounting of the depreciation of<br>property, plant and equipment | (62,759)             | (65,049)             | (76,177)            |
| Others   | <u>(293,483)</u>     | <u>(255,489)</u>     | <u>(262,053)</u>    |
|  | <u>\$ 1,115,351</u>  | <u>\$ 813,243</u>    | <u>\$ 1,201,958</u> |

(Continued)

|   | December 31,<br>2013 | December 31,<br>2012 | January 1,<br>2012                 |
|---|----------------------|----------------------|------------------------------------|
| Deferred income tax assets - noncurrent<br>(recorded under other non-current assets)              | \$ 1,471,593         | \$ 1,133,781         | \$ 1,540,188                       |
| Deferred income tax liabilities - noncurrent<br>(recorded under other non-current<br>liabilities) | <u>(356,242)</u>     | <u>(320,538)</u>     | <u>(338,230)</u>                   |
|   | <u>\$ 1,115,351</u>  | <u>\$ 813,243</u>    | <u>\$ 1,201,958</u><br>(Concluded) |

- d. The Company's loss carryforwards as of December 31, 2013 for income tax purposes were as follows:

| Expiry Year | <u>December 31,<br/>2013</u><br>Net Operating<br>Loss Tax Credit |
|-------------|--|
| 2014        | \$ 1,365   |
| 2020        | 766  |
| 2022        | 380,065  |
| 2023        | <u>470,571</u>   |
|             | <u>\$ 852,767</u>  |

- e. The information on imputation credit accounts was as follows:

|   | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012     |
|---|----------------------|----------------------|---------------------|
| Balance of Imputation Credit<br>Account                           | <u>\$ 1,240,934</u>  | <u>\$ 1,082,211</u>  | <u>\$ 499,499</u>   |
| Unappropriated earnings generated<br>before January 1, 1998       | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>         |
| Unappropriated earnings generated<br>on and after January 1, 1998 | <u>\$ 1,813,125</u>  | <u>\$ 3,856,576</u>  | <u>\$ 4,598,572</u> |

- f. WLC's income tax returns through 2011 had been examined and cleared by the tax authorities.

## 25. LOSS PER SHARE

|                      | For the Year Ended December 31, 2013   |   |  | For the Year Ended December 31, 2012   |   |  |
|----------------------|--|---|--|--|---|--|
|                      | Amounts<br>(Numerator)<br>After Income<br>Tax<br>(Attributable<br>to Parent's<br>Stockholders) | Shares<br>(Denominator)<br>(In Thousands) | Deficit Per<br>Share (In<br>Dollars)<br>After Income<br>Tax<br>(Attributable<br>to Parent's<br>Stockholders) | Amounts<br>(Numerator)<br>After Income<br>Tax<br>(Attributable<br>to Parent's<br>Stockholders) | Shares<br>(Denominator)<br>(In Thousands) | Deficit Per<br>Share (In<br>Dollars)<br>After Income<br>Tax<br>(Attributable<br>to Parent's<br>Stockholders) |
| Basic loss per share |  |   |  |  |   |  |
| Net loss             | \$ (2,688,696)   | 3,482,328                                 | \$ (0.77)  | \$ (3,186,541)   | 3,557,094                                 | \$ (0.90)  |

## 26. NON-CASH TRANSACTIONS

For year ended December 31, 2012, the Company entered into the following non-cash investing and financing activities which were not reflected in the consolidated statement of cash follows:

Chin-Xin Investment Co., Ltd., the Company's subsidiary, has acquired 100% of the share of Dachien Investing Corp. and Win Investment Inc. through stock swap. The fair values of the assets and liabilities of the acquired companies were as follows:

|  |             |
|--|-------------|
| Cash   | \$ 518,486  |
| Other current assets   | 88          |
| Investments accounted for by the equity method   | 625,868     |
| Available-for-sale financial assets - noncurrent   | 1,095,799   |
| Financial assets carried at cost - noncurrent  | 419,338     |
| Property, plant and equipment  | 102         |
| Refundable deposits  | 2,450       |
| Temporary income tax payments  | 158         |
| Other assets - other   | 1,230       |
| Other payables   | (137)       |
| Other current liabilities  | (11)        |
| Net assets of Dachien Investing Corp. and Win Investment Inc.  | 2,663,371   |
| Deduction: Investment accounted for by the equity method - Dachien Investing Corp.   | (18,007)    |
| Deduction: Issuance of new shares (common stock NT\$2,418,677 thousand and additional paid-in capital in excess of par NT\$226,687 thousand) | (2,645,364) |
| Payment for stock swap   | \$ -        |

## 27. OPERATING LEASE ARRANGEMENTS

### a. The Company as lessee

As of December 31, 2013, the Company's future minimum lease payments on non-cancellable operating lease commitments were as follows:

|               |                   |
|---------------|-------------------|
| Years of 2014 | \$ 29,133         |
| 2015-2019     | 95,864            |
| After 2019    | 251,645           |
|               | <u>\$ 376,642</u> |

b. The Company as lessor

Lease arrangements

Operating leases relate to the investment property owned by the Company with lease terms between 5 and 10 years, with an option to extend for additional 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

As of December 31, 2013, December 31, 2012 and January 1, 2012, deposits received under operating leases amounted to NT\$152,530 thousand, NT\$141,979 thousand and NT\$143,890 thousand, respectively (recorded under other liabilities - non-current).

As of December 31, 2013, the Company's future minimum lease receivables on non-cancellable operating lease commitments were as follows:

|               |                     |
|---------------|---------------------|
| Years of 2014 | \$ 600,663          |
| 2015-2019     | 1,235,927           |
| After 2019    | <u>15,159</u>       |
|               | <u>\$ 1,851,749</u> |

## 28. CAPITAL MANAGEMENT

The Company's capital management objective is to ensure it has the necessary financial resources and operational plan so that it can cope with the next twelve months working capital requirements, capital expenditures, debt repayments and dividends spending.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

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

## 29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the parent company and its subsidiaries had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties were disclosed below.

a. Sales

|            | <u>For the Year Ended December 31</u> |             |
|------------|---------------------------------------|-------------|
|            | <u>2013</u>                           | <u>2012</u> |
| Associates | <u>\$ 435,122</u>                     | <u>\$ -</u> |

## b. Rental income

|                       | <b>For the Year Ended December 31</b> |                  |
|-----------------------|---------------------------------------|------------------|
|                       | <b>2013</b>                           | <b>2012</b>      |
| Associates            | \$ 17,166                             | \$ 16,137        |
| Other related parties | <u>1,719</u>                          | <u>1,739</u>     |
|                       | <u>\$ 18,885</u>                      | <u>\$ 17,876</u> |

## c. Purchases

|            | <b>For the Year Ended December 31</b> |             |
|------------|---------------------------------------|-------------|
|            | <b>2013</b>                           | <b>2012</b> |
| Associates | <u>\$ 63,392</u>                      | <u>\$ -</u> |

## d. Administrative expenses

|                       | <b>For the Year Ended December 31</b> |                  |
|-----------------------|---------------------------------------|------------------|
|                       | <b>2013</b>                           | <b>2012</b>      |
| Associates            | \$ 11,231                             | \$ 11,661        |
| Other related parties | <u>14,383</u>                         | <u>15,944</u>    |
|                       | <u>\$ 25,614</u>                      | <u>\$ 27,605</u> |

The stock registration matters of WLC and related parties were handled together. The related fees allocated to the related parties were charged against general and administrative expenses.

## e. Notes receivable

|                       | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|-----------------------|------------------------------|------------------------------|------------------------|
| Associates            | \$ 2,981                     | \$ 3,232                     | \$ 15,091              |
| Other related parties | <u>-</u>                     | <u>-</u>                     | <u>4,103</u>           |
|                       | <u>\$ 2,981</u>              | <u>\$ 3,232</u>              | <u>\$ 19,194</u>       |

## f. Trade receivable

|            | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|------------|------------------------------|------------------------------|------------------------|
| Associates | <u>\$ 430,489</u>            | <u>\$ 1,280</u>              | <u>\$ -</u>            |



g. Trade payables

|            | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012 |
|------------|----------------------|----------------------|-----------------|
| Associates | <u>\$ 116,768</u>    | <u>\$ -</u>          | <u>\$ -</u>     |

h. Other receivables

|                       | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012 |
|-----------------------|----------------------|----------------------|-----------------|
| Associates            | \$ 2,152             | \$ 2,033             | \$ 2,064        |
| Other related parties | <u>2,858</u>         | <u>2,938</u>         | <u>4,146</u>    |
|                       | <u>\$ 5,010</u>      | <u>\$ 4,971</u>      | <u>\$ 6,210</u> |

Trading transactions with related parties do not have significant difference with the general customers.

i. Financial assets acquired

For the year ended December 31, 2013

| Related Parties<br>Types | Account Items                                | Number of<br>Shares | Underlying<br>Assets | Price           |
|--------------------------|--|---------------------|----------------------|-----------------|
| Other related parties    | Investment accounted for using equity method | <u>1,080,129</u>    | Chin-Cherng          | <u>\$19,501</u> |

j. Financial assets disposed

For the year ended December 31, 2013

| Related Parties<br>Types | Account Items                                | Number of<br>Shares | Underlyin<br>g Assets | Price      | Gain (Loss)<br>on Disposal |
|--------------------------|--|---------------------|-----------------------|------------|----------------------------|
| Other related parties    | Investment accounted for using equity method | 21,500,000          | Chin-Xin              | \$ 278,662 | Note                       |
| Associates               | Investment accounted for using equity method | 12,128,000          | Chin-Xin              | 150,782    | \$ (39,273)                |

Note: The difference between the disposal price and the book value was NT\$56,407 thousand. This transaction didn't result in loss of control so the loss was accounted for as equity transactions and debited retained earnings in 2013.

For the year ended December 31, 2012

| <b>Related Parties Types</b> | <b>Account Items</b>                         | <b>Number of Shares</b> | <b>Underlying Assets</b> | <b>Price</b>      | <b>Gain (Loss) on Disposal</b> |
|------------------------------|--|-------------------------|--------------------------|-------------------|--------------------------------|
| Associates                   | Investment accounted for using equity method | 50,000,000              | Chin-Xin                 | <u>\$ 503,306</u> | Note                           |

Note: The difference between the disposal price and the book value was NT\$195,340 thousand. This transaction didn't result in loss of control so the loss was accounted for as equity transactions and debited retained earnings in 2012.

k. Property, plant and equipment disposed

| <b>Related Parties Types</b> | <b>For the Year Ended December 31</b> |                         |              |                                |
|------------------------------|---------------------------------------|-------------------------|--------------|--------------------------------|
|                              | <b>2013</b>                           |                         | <b>2012</b>  |                                |
|                              | <b>Price</b>                          | <b>Gain on Disposal</b> | <b>Price</b> | <b>Gain (Loss) on Disposal</b> |
| Associates                   | <u>\$ 375,124</u>                     | <u>\$ 69,259</u>        | <u>\$ -</u>  | <u>\$ -</u>                    |

l. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the year ended December 31, 2013 and 2012 were as follows:

|                          | <b>For the Year Ended December 31</b> |                   |
|--------------------------|---------------------------------------|-------------------|
|                          | <b>2013</b>                           | <b>2012</b>       |
| Short-term benefits      | \$ 153,525                            | \$ 164,934        |
| Post-employment benefits | <u>5,275</u>                          | <u>5,368</u>      |
|                          | <u>\$ 158,880</u>                     | <u>\$ 170,302</u> |

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

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collaterals for bank borrowings and guarantees for tariff of imported raw materials:

|   | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012     |
|---|----------------------|----------------------|---------------------|
| Time deposits (recorded under other financial assets - current) | \$ 797,957           | \$ 649,281           | \$ 704,530          |
| Finance lease receivables - current                             | 69,379               | 55,590               | -                   |
| Finance lease receivables -non current                          | 2,653,354            | 1,905,899            | -                   |
| Other receivables   | -                    | 3,858                | 90,406              |
| Inventories   | -                    | 130,482              | 319,395             |
| Property, plant and equipment                                   | 2,136,438            | 2,702,551            | 1,937,494           |
| Other assets  | <u>154,969</u>       | <u>106,698</u>       | <u>600</u>          |
|   | <u>\$ 5,812,097</u>  | <u>\$ 5,554,359</u>  | <u>\$ 3,052,425</u> |

### 31. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

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

- a. Outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows (in thousands):

|                    | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012 |
|--------------------|----------------------|----------------------|-----------------|
| U.S. dollars       | US\$ 55,569          | US\$ 44,009          | US\$ 125,073    |
| Japanese yen       | JPY 105,750          | JPY 65,319           | JPY 162,694     |
| Euro               | EUR 660              | EUR 1,295            | EUR 69,914      |
| New Taiwan dollars | NT\$ 34,135          | NT\$ 45,179          | NT\$ 97,199     |

- b. As of December 31, 2013, December 31, 2012 and January 1, 2012, outstanding standby letters of credit not reflected in the accompanying financial statements amounted to approximately NT\$545,775 thousand and RMB34,160 thousand, NT\$676,101 thousand, NT\$583,526 thousand and RMB76,882 thousand; tariff letters of credit amounted to approximately NT\$663,000 thousand and RMB6,000 thousand, NT\$589,000 thousand and NT\$709,000 thousand.
- c. Noncancelable copper and nickel procurement contracts with total contract value of US\$35,012 thousand and RMB11,993 thousand, US\$30,695 thousand and US\$159,995 thousand were in effect as of December 31, 2013, December 31, 2012 and January 1, 2012.
- d. As of December 31, 2013, December 31, 2012 and January 1, 2012, the banks provided guarantees for NT\$10,482 thousand, NT\$40,447 thousand and NT\$91,787 thousand for Walsin Info-Electric's construction contracts.

## 32. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments

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

Except for financial assets carried at cost, the management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as approximate of fair values.

#### 2) Fair value measurements recognized in the consolidated balance sheets

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

- a) Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities. They were as follows:

|                                     | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012     |
|-------------------------------------|----------------------|----------------------|---------------------|
| Financial assets at FVTPL           | \$ 8,723             | \$ 50,191            | \$ 12,615           |
| Available-for-sale financial assets | <u>3,212,430</u>     | <u>1,269,857</u>     | <u>1,053,343</u>    |
|                                     | <u>\$ 3,221,153</u>  | <u>\$ 1,320,048</u>  | <u>\$ 1,065,958</u> |
| Financial liabilities at FVTPL      | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ 50,822</u>    |

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

|                                | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012  |
|--------------------------------|----------------------|----------------------|------------------|
| Financial assets at FVTPL      | <u>\$ 46,707</u>     | <u>\$ -</u>          | <u>\$ 13,849</u> |
| Financial liabilities at FVTPL | <u>\$ -</u>          | <u>\$ 4,529</u>      | <u>\$ 18,810</u> |

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

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

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

b. Categories of financial instruments

|   | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012 |
|---|----------------------|----------------------|-----------------|
| <u>Financial assets</u>   |                      |                      |                 |
| Loans and receivables   |                      |                      |                 |
| Cash and cash equivalents   | \$ 7,556,082         | \$ 6,060,115         | \$ 12,939,836   |
| Notes receivable and trade<br>receivables (included related<br>parties)     | 17,377,800           | 16,121,736           | 16,542,141      |
| Finance lease receivables current<br>and non-current                        | 2,722,733            | 1,961,489            | 796,628         |
| Other receivables   | 796,544              | 503,293              | 1,906,577       |
| Other financial assets  | 797,957              | 649,281              | 704,530         |
| Refundable deposits   | 325,085              | 417,041              | 511,582         |
| Restricted assets - noncurrent<br>(recorded under other assets -<br>other)  | 93,636               | 36,098               | -               |
| Financial assets at FVTPL   | 55,430               | 50,191               | 26,464          |
| Available-for-sale financial assets<br>(current and non-current)            | 3,212,430            | 1,269,857            | 1,053,343       |
| Held-to-maturity financial assets   | -                    | -                    | 235,080         |
| Financial assets measured at cost   | 1,396,821            | 1,548,538            | 2,587,444       |
| <u>Financial liabilities</u>  |                      |                      |                 |
| Financial liabilities at FVTPL  | -                    | 4,529                | 69,632          |
| Amortized cost  |                      |                      |                 |
| Short-term bank borrowings  | 9,614,797            | 11,772,817           | 12,378,037      |
| Short-term bills payable  | -                    | 95,956               | -               |
| Notes payable and trade payables  | 6,813,230            | 5,945,211            | 10,464,810      |
| Other payables  | 3,373,315            | 3,829,810            | 2,646,433       |
| Long-term debts (included<br>current portion)                               | 21,171,865           | 19,715,216           | 28,240,202      |
| Deposits received (recorded as<br>other non-current liabilities -<br>other) | 389,462              | 359,646              | 757,486         |

c. Financial risk management objectives and policies

The Company's major financial instruments included equity and debt investments, trade receivable, trade payables. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provides written principles on foreign exchange risk, interest rate risk, use of financial derivatives and non-derivative financial instruments, and investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments for speculative purposes.

#### 1) Market risk

The Company is exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses forward foreign exchange contracts and interest rate swaps contracts to hedge foreign currency risk and interest rate risk.

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

##### a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

It is the Company's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period were as follows.

|                    | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|--------------------|------------------------------|------------------------------|------------------------|
| <u>Assets</u>      |                              |                              |                        |
| U.S. dollar        | \$ 4,732,540                 | \$ 3,078,582                 | \$ 3,198,632           |
| Japanese yen       | 26,938                       | 14,077                       | 2,290                  |
| Euro               | 163,804                      | 100,726                      | 2,177,802              |
| Ringgit Malaysia   | 110,842                      | -                            | -                      |
| Hong Kong dollar   | 16,615                       | 34,553                       | 28,584                 |
| Australian dollar  | -                            | 9,609                        | 7,482                  |
| <u>Liabilities</u> |                              |                              |                        |
| U.S. dollar        | 14,341,524                   | 16,117,332                   | 26,980,166             |
| Japanese yen       | 222,875                      | 4,362                        | 33,716                 |
| Ringgit Malaysia   | 5,433                        | -                            | -                      |
| Euro               | -                            | 1,045                        | 29,071                 |

The carrying amounts of the Company's derivatives exposed to foreign currency risk at the end of the reporting period were as follows.

|                    | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|--------------------|------------------------------|------------------------------|------------------------|
| <u>Assets</u>      |                              |                              |                        |
| U.S. dollar        | \$ 3,546,795                 | \$ -                         | \$ 2,270,625           |
| Euro               | -                            | -                            | 403,789                |
| <u>Liabilities</u> |                              |                              |                        |
| U.S. dollar        | -                            | -                            | 11,189,035             |
| Euro               | 112,533                      | 368,888                      | -                      |

Sensitivity analysis

The Company was mainly exposed to the U.S. dollar.

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period.

|                | <b>U.S. Dollar Impact</b> |              |
|----------------|---------------------------|--------------|
|                | <b>For the Year Ended</b> |              |
|                | <b>December 31</b>        |              |
|                | <b>2013</b>               | <b>2012</b>  |
| Profit or loss | \$ (60,622)               | \$ (130,388) |

b) Interest rate risk

The Company's interest rate risk arises primarily from fixed and floating rate deposits and borrowings.

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

|                               | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|-------------------------------|------------------------------|------------------------------|------------------------|
| Fair value interest rate risk |                              |                              |                        |
| Financial assets              | \$ 206,610                   | \$ 272,034                   | \$ 3,941,358           |
| Cash flow interest rate risk  |                              |                              |                        |
| Financial assets              | 7,182,254                    | 4,152,185                    | 7,763,788              |
| Financial liabilities         | 30,786,662                   | 31,583,989                   | 40,618,239             |

Sensitivity analysis

The sensitivity analyses below shows the possible effect on profit and loss assuming a change in the interest rates at the end of the reporting period.

If interest rates at end of the reporting period were higher by 1% and all other variables were held constant, the Company's pre-tax loss for the years ended December 31, 2013 and 2012 would have been higher by NT\$233,978 thousand and NT\$271,598 thousand.

## 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge their obligation and financial guarantees would equal to the following:

- a) The carrying amount of the respective recognized financial assets as stated in the condensed balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

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

In order to minimize credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each individual trade receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk was significantly reduced.

## 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

- a) The Company's non-derivative financial liabilities with their agreed repayment period were as follows:

|   | <b>December 31, 2013</b> |                   |                      |                   |                      |
|---|--------------------------|-------------------|----------------------|-------------------|----------------------|
|   | <b>1 Year</b>            | <b>1-2 Years</b>  | <b>2-5 Years</b>     | <b>5+ Years</b>   | <b>Total</b>         |
| <u>Non-derivative financial liabilities</u> |                          |                   |                      |                   |                      |
| Variable interest rate liabilities          | \$ 18,683,080            | \$ 221,471        | \$ 11,141,230        | \$ 740,881        | \$ 30,786,662        |
| Non-interest bearing                        | <u>10,186,545</u>        | <u>-</u>          | <u>-</u>             | <u>70,474</u>     | <u>10,257,019</u>    |
|   | <u>\$ 28,869,625</u>     | <u>\$ 221,471</u> | <u>\$ 11,141,230</u> | <u>\$ 811,355</u> | <u>\$ 41,043,681</u> |



| <b>December 31, 2012</b>                    |                      |                  |                      |                   |                      |
|---|----------------------|------------------|----------------------|-------------------|----------------------|
|   | <b>1 Year</b>        | <b>1-2 Years</b> | <b>2-5 Years</b>     | <b>5+ Years</b>   | <b>Total</b>         |
| <u>Non-derivative financial liabilities</u> |                      |                  |                      |                   |                      |
| Variable interest rate liabilities          | \$ 11,994,947        | \$ 36,054        | \$ 19,411,988        | \$ 141,000        | \$ 31,583,989        |
| Non-interest bearing                        | <u>9,775,021</u>     | <u>-</u>         | <u>-</u>             | <u>74,574</u>     | <u>9,849,595</u>     |
|   | <u>\$ 21,769,968</u> | <u>\$ 36,054</u> | <u>\$ 19,411,988</u> | <u>\$ 215,574</u> | <u>\$ 41,433,584</u> |
| <b>January 1, 2012</b>                      |                      |                  |                      |                   |                      |
|   | <b>1 Year</b>        | <b>1-2 Years</b> | <b>2-5 Years</b>     | <b>5+ Years</b>   | <b>Total</b>         |
| <u>Non-derivative financial liabilities</u> |                      |                  |                      |                   |                      |
| Variable interest rate liabilities          | \$ 39,512,162        | \$ 27,766        | \$ 1,075,014         | \$ -              | \$ 40,614,942        |
| Non-interest bearing                        | <u>13,111,243</u>    | <u>-</u>         | <u>-</u>             | <u>39,769</u>     | <u>13,151,012</u>    |
|   | <u>\$ 52,623,405</u> | <u>\$ 27,766</u> | <u>\$ 1,075,014</u>  | <u>\$ 39,769</u>  | <u>\$ 53,765,954</u> |

b) The Company's derivative financial instruments with agreed settlement date were as follows:

| <b>December 31, 2013</b>    |                                       |                   |                           |                  |                  |
|-----------------------------|---------------------------------------|-------------------|---------------------------|------------------|------------------|
|                             | <b>On Demand or Less Than 1 Month</b> | <b>1-3 Months</b> | <b>3 Months to 1 Year</b> | <b>1-5 Years</b> | <b>Total</b>     |
| <u>Net settled</u>          |                                       |                   |                           |                  |                  |
| Commodity futures contracts | \$ (8)                                | \$ 2,057          | \$ 6,674                  | \$ -             | \$ 8,723         |
| Forward exchange contracts  | <u>(268)</u>                          | <u>45,051</u>     | <u>1,924</u>              | <u>-</u>         | <u>46,707</u>    |
|                             | <u>\$ (276)</u>                       | <u>\$ 47,108</u>  | <u>\$ 8,598</u>           | <u>\$ -</u>      | <u>\$ 55,430</u> |

| <b>December 31, 2012</b>    |                                       |                   |                           |                  |                  |
|-----------------------------|---------------------------------------|-------------------|---------------------------|------------------|------------------|
|                             | <b>On Demand or Less Than 1 Month</b> | <b>1-3 Months</b> | <b>3 Months to 1 Year</b> | <b>1-5 Years</b> | <b>Total</b>     |
| <u>Net settled</u>          |                                       |                   |                           |                  |                  |
| Commodity futures contracts | \$ -                                  | \$ 38,500         | \$ 7,711                  | \$ 3,539         | \$ 49,750        |
| Forward exchange contracts  | <u>-</u>                              | <u>-</u>          | <u>(4,529)</u>            | <u>(287)</u>     | <u>(4,816)</u>   |
|                             | <u>\$ -</u>                           | <u>\$ 38,500</u>  | <u>\$ 3,182</u>           | <u>\$ 3,252</u>  | <u>\$ 44,934</u> |

| <b>January 1, 2012</b>        |                                       |                    |                           |                  |                    |
|-------------------------------|---------------------------------------|--------------------|---------------------------|------------------|--------------------|
|                               | <b>On Demand or Less Than 1 Month</b> | <b>1-3 Months</b>  | <b>3 Months to 1 Year</b> | <b>1-5 Years</b> | <b>Total</b>       |
| <u>Net settled</u>            |                                       |                    |                           |                  |                    |
| Commodity futures contracts   | \$ -                                  | \$ (66,674)        | \$ 15,852                 | \$ -             | \$ (50,822)        |
| Forward exchange contracts    | <u>-</u>                              | <u>10,360</u>      | <u>(29,170)</u>           | <u>3,571</u>     | <u>(15,239)</u>    |
| Exchange rate swaps contracts | <u>-</u>                              | <u>-</u>           | <u>-</u>                  | <u>13,849</u>    | <u>13,849</u>      |
| Interest rate swaps contracts | <u>-</u>                              | <u>-</u>           | <u>(46,953)</u>           | <u>-</u>         | <u>(46,953)</u>    |
|                               | <u>\$ -</u>                           | <u>\$ (56,314)</u> | <u>\$ (60,271)</u>        | <u>\$ 17,420</u> | <u>\$ (99,165)</u> |

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

December 31, 2013

|                              | Foreign<br>Currencies | Exchange Rate | New Taiwan<br>Dollars |
|------------------------------|-----------------------|---------------|-----------------------|
| <u>Financial assets</u>      |                       |               |                       |
| Monetary items               |                       |               |                       |
| U.S. dollars                 | \$ 158,783            | 29.805        | \$ 4,732,540          |
| Japanese Yen                 | 94,887                | 0.2839        | 26,938                |
| Euros                        | 3,986                 | 41.090        | 163,804               |
| Hong Kong dollars            | 4,323                 | 3.843         | 16,615                |
| Ringgit Malaysia             | 12,276                | 9.02928       | 110,842               |
| Non-monetary items           |                       |               |                       |
| U.S. dollars                 | 1,726                 | 29.805        | 51,436                |
| <u>Financial liabilities</u> |                       |               |                       |
| Monetary items               |                       |               |                       |
| U.S. dollars                 | 481,178               | 29.805        | 14,341,524            |
| Japanese Yen                 | 785,049               | 0.2839        | 222,875               |
| Ringgit Malaysia             | 602                   | 9.02928       | 5,433                 |
| Swiss francs                 | 17                    | 32.615        | 554                   |

December 31, 2012

|  |         |         |            |
|--|---------|---------|------------|
| <u>Financial assets</u>                          |         |         |            |
| Monetary items                                   |         |         |            |
| U.S. dollars                                     | 390,626 | 29.040  | 11,343,767 |
| Japanese Yen                                     | 41,847  | 0.3364  | 14,077     |
| Euros  | 2,033   | 38.490  | 78,266     |
| Hong Kong dollars                                | 6,207   | 3.747   | 23,257     |
| Australian dollars                               | 319     | 30.165  | 9,609      |
| Renminbi   | 386,068 | 4.62026 | 1,783,734  |
| Non-monetary items                               |         |         |            |
| U.S. dollars                                     | 2,129   | 29.040  | 61,814     |
| Renminbi   | 134,000 | 4.62026 | 619,115    |
| Euros  | 19,000  | 38.490  | 731,310    |
| Investments accounted for using equity<br>method |         |         |            |
| Renminbi   | 76,214  | 4.62026 | 352,129    |
| U.S. dollars                                     | 11,409  | 29.040  | 331,307    |

(Continued)

|                              | Foreign<br>Currencies | Exchange Rate | New Taiwan<br>Dollars |
|------------------------------|-----------------------|---------------|-----------------------|
| <u>Financial liabilities</u> |                       |               |                       |
| Monetary items               |                       |               |                       |
| U.S. dollars                 | \$ 620,759            | 29.040        | \$ 18,026,841         |
| Japanese Yen                 | 12,968                | 0.3364        | 4,362                 |
| Euros                        | 22                    | 38.490        | 853                   |
| Swiss francs                 | 17                    | 31.825        | 541                   |
| Renminbi                     | 422                   | 4.62026       | 6,571                 |
| Nonmonetary items            |                       |               |                       |
| U.S. dollars                 | 145                   | 29.040        | 4,207                 |
| Euros                        | 7                     | 38.490        | 287                   |

January 1, 2012

Financial assets

|  |         |         |            |
|--|---------|---------|------------|
| Monetary items                                   |         |         |            |
| U.S. dollars                                     | 558,106 | 30.275  | 16,896,654 |
| Japanese Yen                                     | 5,862   | 0.3906  | 2,290      |
| Euros  | 55,316  | 39.180  | 2,167,800  |
| Hong Kong dollars                                | 2,452   | 3.897   | 9,557      |
| Australian dollars                               | 243     | 30.735  | 7,482      |
| Renminbi   | 690,357 | 4.80495 | 3,317,131  |
| Non-monetary items                               |         |         |            |
| U.S. dollars                                     | 3,521   | 30.275  | 106,584    |
| Renminbi   | 994,405 | 4.80495 | 4,778,066  |
| Investments accounted for using equity<br>method |         |         |            |
| Euros  | 31,141  | 39.180  | 1,220,116  |
| Renminbi   | 81,651  | 4.80495 | 392,331    |

Financial liabilities

|                      |           |         |             |
|----------------------|-----------|---------|-------------|
| Monetary items       |           |         |             |
| U.S. dollars         | 1,047,470 | 30.275  | 31,712,167  |
| Japanese Yen         | 86,318    | 0.3906  | 33,716      |
| Euros                | 742       | 39.180  | 29,071      |
| Swiss francs         | 17        | 32.175  | 547         |
| Great Britain pounds | 9         | 46.730  | 421         |
| Renminbi             | 7,856     | 4.80495 | 37,748      |
| Non-monetary items   |           |         |             |
| U.S. dollars         | 3,104     | 30.275  | 93,972      |
|                      |           |         | (Concluded) |

### 34. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

- a. Lending funds to others: Please see Table 1 attached;
- b. Providing endorsements or guarantees for others: Please see Table 2 attached;
- c. Holding of securities at the end of the period: Please see Table 3 attached;
- d. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more: Please see Table 4 attached;
- e. Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None;
- f. Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None;
- g. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more: Please see Table 5 attached;
- h. Trade receivables from related parties reaching NT\$100 million or 20 percent of paid-in capital or more: Please see Table 6 attached;
- i. Trading in derivative instruments: Please see Notes 7 and 9;
- j. Information on investees: Please see Table 7 attached;
- k. Others: Information on intercompany relationships and significant intercompany transactions: Please see Table 9 attached;

Information on investments in mainland China:

- a. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area: Please see Table 8 attached;
- b. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None.
  - 1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - 3) The amount of property transactions and the amount of the resultant gains or losses.

- 4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
- 5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
- 6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

### 35. OPERATION SEGMENT FINANCIAL INFORMATION

#### a. Basic information

##### 1) Classification

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

##### a) Wires and cables

The segment's main products include copper rods, wires, connector and components which are sold to industries involving cables and wires, communications cable, heavy electronics, home electrical appliances and construction.

##### b) Specialty steel

The segment's main products included smelting, rolled stainless steel, carbon steel and precision alloy wire which are sold to industries involving construction components, crankshaft, machine tools, plumbing, heat exchanger, drain, petrochemical and construction.

##### c) MEMS

MEMS (micro electro mechanical system) is responsible for the development of LED epitaxial wafer and core plate, LED module and solid-state lighting, etc. The products are applicable to LED backlight, display board lighting, general lighting, auto lighting, LED lamp and bulb, LED spotlights and factories and mines lamps.

##### d) Real estate

Real estate is responsible for the development of commercial and real estate complex and real estate management. Furthermore, the modes of operation are construction of residences, offices, markets and hotels, and offer renting, operating management and after-sales services.

##### e) Administration and investing

The segment of administration and investing refers to other investment in Mainland China.

## 2) Estimates of operating segment income and expenses, assets and liabilities

Accounting policies of operating segments are the same with those summarized in Note 4 to the consolidated financial statements. Operating segment income and expenses are measured based on estimated future potential profit and pre-tax operating profit adjusted by hedge accounting. Sales and transfers between segments are treated as transactions with third parties and evaluated at fair value.

The Company does not allocate income tax expense (benefit), investment income (loss) recognized under equity method, foreign exchange gain (loss), net investment income (loss), gain (loss) on disposal of investments, gain (loss) on valuation of financial assets and liabilities and extraordinary items to reportable segments. The amounts reported are consistent with the report used by operating decision-makers.

## 3) Identification of operating segment

The reported operating segments are classified according to the different products and services that are managed separately because they use different technology and selling strategies.

## b. Financial information

## 1) Segment revenues and results:

(NT\$ in Thousand)

|   | For the Year Ended December 31, 2013 |                 |            |             |                              |                       |
|---|--------------------------------------|-----------------|------------|-------------|------------------------------|-----------------------|
|   | Wires and Cables                     | Specialty Steel | MEMS       | Real Estate | Administration and Investing | Total                 |
| External net sales and operating revenues                                     | \$ 102,859,650                       | \$ 39,808,249   | \$ 332,700 | \$ 972,999  | \$ 4,661,359                 | \$ 148,634,957        |
| Operating profit (loss)   | 550,707                              | 860,808         | (844,036)  | (24,206)    | 71,862                       | 615,135               |
| Net nonoperating income and expenses  |                                      |                 |            |             |                              |                       |
| Net interest income and expenses  |                                      |                 |            |             |                              | (206,267)             |
| Share of profit (loss) of associates accounted under equity method            |                                      |                 |            |             |                              | (251,001)             |
| Dividend income   |                                      |                 |            |             |                              | 32,835                |
| Gain on disposal of property, plant and equipment                             |                                      |                 |            |             |                              | 507,196               |
| Loss on disposal of investments   |                                      |                 |            |             |                              | (1,300,280)           |
| Foreign exchange gain, net  |                                      |                 |            |             |                              | 598,678               |
| Gain on financial assets and liabilities at fair value through profit or loss |                                      |                 |            |             |                              | 65,411                |
| Impairment loss   |                                      |                 |            |             |                              | (2,538,030)           |
| Net other income and expenses   |                                      |                 |            |             |                              | 160,186               |
| Consolidated loss before income tax   |                                      |                 |            |             |                              | <u>\$ (2,316,137)</u> |

**For the Year Ended December 31, 2012**

|   | Wires and<br>Cables | Specialty Steel | MEMS        | Real Estate  | Administration<br>and Investing | Total                 |
|---|---------------------|-----------------|-------------|--------------|---------------------------------|-----------------------|
| External net sales and operating revenues                                     | \$ 102,412,864      | \$ 45,679,146   | \$ 671,000  | \$ 6,759,127 | \$ 1,940,914                    | \$ 157,463,051        |
| Operating profit (loss)   | 667,550             | 1,035,245       | (1,340,720) | (2,201,620)  | (149,689)                       | 2,414,006             |
| Net nonoperating income and expenses  |                     |                 |             |              |                                 |                       |
| Net interest income (expenses)  |                     |                 |             |              |                                 | (158,170)             |
| Share of profit (loss) of associates accounted under equity method            |                     |                 |             |              |                                 | (829,130)             |
| Dividend income   |                     |                 |             |              |                                 | 55,353                |
| Gain on disposal of property, plant and equipment                             |                     |                 |             |              |                                 | 11,226                |
| Loss on disposal of investments   |                     |                 |             |              |                                 | (802,938)             |
| Foreign exchange gain, net  |                     |                 |             |              |                                 | 149,787               |
| Gain on financial assets and liabilities at fair value through profit or loss |                     |                 |             |              |                                 | 29,587                |
| Impairment loss   |                     |                 |             |              |                                 | (2,669,437)           |
| Net other income and expenses   |                     |                 |             |              |                                 | <u>36,194</u>         |
| Consolidated loss before income tax   |                     |                 |             |              |                                 | <u>\$ (1,763,522)</u> |

## 2) Segment assets and liabilities

|                            | Wires and<br>Cables | Specialty Steel | MEMS         | Real Estate   | Administration<br>and Investing | Total                 |
|----------------------------|---------------------|-----------------|--------------|---------------|---------------------------------|-----------------------|
| <u>Segment assets</u>      |                     |                 |              |               |                                 |                       |
| December 31, 2013          | \$ 24,688,323       | \$ 26,243,143   | \$ 3,038,586 | \$ 21,468,159 | \$ 37,970,130                   | <u>\$ 113,408,341</u> |
| December 31, 2012          | 24,986,934          | 24,961,552      | 3,712,522    | 20,493,516    | 34,467,805                      | <u>\$ 108,622,329</u> |
| January 1, 2012            | 29,930,726          | 25,736,481      | 4,883,395    | 22,143,996    | 43,284,946                      | <u>\$ 125,979,544</u> |
| <u>Segment liabilities</u> |                     |                 |              |               |                                 |                       |
| December 31, 2013          | 11,569,557          | 12,288,015      | 1,713,212    | 14,111,160    | 11,529,120                      | <u>\$ 51,211,064</u>  |
| December 31, 2012          | 9,934,144           | 13,145,722      | 913,986      | 9,166,328     | 13,595,251                      | <u>\$ 46,755,431</u>  |
| January 1, 2012            | 11,444,269          | 14,513,294      | 2,637,955    | 7,472,467     | 25,622,771                      | <u>\$ 61,690,756</u>  |

## 3) Geographical information

The Company's revenue from external customers and noncurrent assets, excluding those classified as held for sale, financial instruments, deferred tax assets, and post-employment benefit, categorized by geographical location are as follows:

|                          | Revenue from External Customers |                       | Non-current Assets   |                      |                      |
|--------------------------|---------------------------------|-----------------------|----------------------|----------------------|----------------------|
|                          | 2013                            | 2012                  | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012      |
| Asia                     | \$ 142,987,240                  | \$ 148,299,008        | \$ 30,912,414        | \$ 35,089,057        | \$ 34,131,798        |
| United States of America | 3,823,222                       | 3,521,760             | 2,212,635            | 2,387,713            | 1,387,154            |
| Europe                   | 942,032                         | 1,616,994             | -                    | -                    | -                    |
| Others                   | <u>882,463</u>                  | <u>4,025,289</u>      | <u>-</u>             | <u>-</u>             | <u>-</u>             |
|                          | <u>\$ 148,634,957</u>           | <u>\$ 157,463,051</u> | <u>\$ 33,125,049</u> | <u>\$ 37,476,770</u> | <u>\$ 35,518,952</u> |

Note: Revenue from external customers classified by geographical location.

## 4) Major customer

No individual customer accounted for at least 10% of consolidated revenue in 2013 and 2012.

### 36. FIRST-TIME ADOPTION OF IFRSs

#### a. Basis of the preparation of financial information under IFRSs

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

#### b. Impact of the transition to IFRSs

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

##### 1) Reconciliation of the consolidated balance sheet as of January 1, 2012 was as follows:

| ROC GAAP   |                | Effect of Transition to IFRSs          |                         | IFRSs          |  | Explanation         |
|--|----------------|--|-------------------------|----------------|--|---------------------|
| Item   | Amount         | Recognition and Measurement Difference | Presentation Difference | Amount         | Item   |                     |
| Current assets   |                |  |                         |                | Current assets   |                     |
| Cash and cash equivalents  | \$ 12,939,836  | \$ -                                   | \$ -                    | \$ 12,939,836  | Cash and cash equivalents  |                     |
| Financial assets at fair value through profit or loss - current      | 12,615         | -                                      | -                       | 12,615         | Financial assets measured at fair value through profit and loss - current      |                     |
| Available-for-sale financial assets - current                        | 4,782          | -                                      | -                       | 4,782          | Available-for-sale financial asset - current s                                 |                     |
| Notes receivable, net  | 7,532,927      | -                                      | -                       | 7,532,927      | Notes receivable, net  |                     |
| Accounts receivable, net   | 9,027,000      | -                                      | -                       | 9,027,000      | Accounts receivable, net   |                     |
| Other financial assets - current                                     | 1,906,577      | -                                      | -                       | 1,906,577      | Other financial assets - current   |                     |
| Inventories  | 30,074,008     | -                                      | (692,725)               | 29,381,283     | Inventories  | 5) f), 5) g)        |
| Restricted assets - current  | 704,530        | -                                      | -                       | 704,530        | Restricted assets - current  |                     |
| Other current assets   | 2,683,307      | (558,618)                              | 20,050                  | 2,144,739      | Other current assets   | 5) a), 5) f)        |
| Total current assets   | 64,885,582     | (558,618)                              | (672,675)               | 63,654,289     | Total current assets   |                     |
| Fund and investment  |                |  |                         |                | Noncurrent assets  |                     |
| Investments accounted for by the equity method                       | 18,399,500     | (186,592)                              | -                       | 18,212,908     | Investments accounted for by the equity method                                 | 5) d), 5) h), 5) k) |
| Real estate investment   | 222,606        | -                                      | (222,606)               | -              |  | 5) g)               |
| Prepayment for investments   | 6,006          | -                                      | -                       | 6,006          | Prepayment for investment  |                     |
| Financial assets at fair value through profit or loss - noncurrent   | 13,849         | -                                      | -                       | 13,849         | Financial assets measured at fair value through profit and loss - noncurrent   |                     |
| Available-for-sale financial assets - noncurrent                     | 1,048,561      | -                                      | -                       | 1,048,561      | Available-for-sale financial assets - noncurrent                               |                     |
| Held-to-maturity financial assets - noncurrent                       | 235,080        | -                                      | -                       | 235,080        | Held-to-maturity financial assets - noncurrent                                 |                     |
| Financial assets held for hedging - noncurrent                       | 3,571          | -                                      | -                       | 3,571          | Financial assets held for hedging - noncurrent                                 |                     |
| Financial assets carried at cost - noncurrent                        | 2,587,444      | -                                      | -                       | 2,587,444      | Financial assets measured at fair value through profit and loss - noncurrent   |                     |
| Total fund and investments   | 22,516,617     | (186,592)                              | (222,606)               |                |  |                     |
| Property, plant and equipment, net                                   | 34,060,573     | 52,462                                 | (9,233,843)             | 24,879,192     | Property, plant and equipment, net   | 5) g), 5) k)        |
| Investment property, net   | -              | -                                      | 10,064,674              | 10,064,674     | Investment property, net   | 5) g)               |
| Intangible assets  |                |  |                         |                |  |                     |
| Land use right   | 1,568,007      | -                                      | (1,568,007)             | -              |  | 5) f)               |
| Others   | 187,259        | 236                                    | -                       | 187,495        | Other intangible assets  | 5) k)               |
| Total intangible assets  | 1,755,266      | 236                                    | (1,568,007)             |                |  |                     |
| Other assets   |                |  |                         |                |  |                     |
| Refundable deposits  | 511,582        | -                                      | -                       | 511,582        | Refundable deposits  |                     |
| Deferred income tax assets - noncurrent                              | 981,570        | 558,618                                | -                       | 1,540,188      | Deferred income tax assets - noncurrent  | 5) a)               |
| Long-term lease payment receivable                                   | -              | -                                      | 1,632,457               | 1,632,457      | Long-term lease payment receivable   | 5) f)               |
| Others   | 1,402,308      | (60)                                   | -                       | 1,402,248      | Other assets   | 5) k)               |
| Total other assets   | 2,895,460      | 558,558                                | 1,632,457               | 62,325,255     | Total noncurrent assets  |                     |
| Total assets   | \$ 126,113,498 | (133,954)                              | \$ -                    | \$ 125,979,544 | Total assets   |                     |
| Current liabilities  |                |  |                         |                | Current liabilities  |                     |
| Short-term bank borrowing  | \$ 12,378,037  | \$ -                                   | \$ -                    | \$ 12,378,037  | Short-term bank borrowing  |                     |
| Financial liabilities at fair value through profit or loss - current | 69,632         | -                                      | -                       | 69,632         | Financial liabilities measured at fair value through profit and loss - current |                     |
| Financial liabilities held for hedging - current                     | 46,953         | -                                      | -                       | 46,953         | Financial liabilities held for hedging - current                               |                     |
| Notes payable  | 939,907        | -                                      | -                       | 939,907        | Notes payable  |                     |
| Accounts payable   | 9,524,903      | -                                      | -                       | 9,524,903      | Accounts payable   |                     |
| Income tax payable   | 430,867        | -                                      | -                       | 430,867        | Income tax payable   |                     |
| Other payable  | 2,631,433      | 15,000                                 | -                       | 2,646,433      | Other payable  | 5) b)               |
| Advance receipt on real estate                                       | 2,931,938      | -                                      | -                       | 2,931,938      | Advance receipt on real estate   |                     |
| Current portion of long-term liabilities                             | 27,134,125     | -                                      | -                       | 27,134,125     | Current portion of long-term liabilities                                       |                     |
| Other current liabilities  | 1,489,257      | (128,773)                              | -                       | 1,360,484      | Other current liabilities  | 5) a)               |
| Total current liabilities  | 57,577,052     | (113,773)                              | -                       | 57,463,279     | Total current liabilities  |                     |

(Continued)



| ROC GAAP  |                | Effect of Transition to IFRSs          |                         | IFRSs          |   | Explanation                                     |
|---|----------------|--|-------------------------|----------------|---|---|
| Item  | Amount         | Recognition and Measurement Difference | Presentation Difference | Amount         | Item  |   |
| Long-term liabilities                                   |                |  |                         |                | Noncurrent liabilities                                  |   |
| Long-term debts   | \$ 1,145,846   | \$ -                                   | \$ -                    | \$ 1,145,846   | Long-term debts   | 4) b)   |
| Reserve for land revaluation increment tax              | 131,132        | (131,132)                              | -                       | -              |   |   |
| Other liabilities                                       |                |  |                         |                |   |   |
| Accrued pension cost                                    | 1,334,199      | 1,905                                  | -                       | 1,336,104      | Accrued pension cost                                    | 5) c)   |
| Deferred income tax liabilities - noncurrent            | 78,325         | 259,905                                | -                       | 338,230        | Deferred income tax liabilities - noncurrent            | 4) b), 5) a)                                    |
| Unrealized profits from intercompany transactions       | 58,482         | (58,482)                               | -                       | -              |   | 5) h)   |
| Others  | 1,407,297      | -                                      | -                       | 1,407,297      | Others  |   |
| Total other liabilities*                                | 2,878,303      | 203,328                                | -                       | 4,227,477      | Total other liabilities*                                |   |
| Total liabilities                                       | 61,732,333     | (41,577)                               | -                       | 61,690,756     | Total liabilities                                       |   |
| Equity attributable to stockholders of the parent       |                |  |                         |                | Stockholders' equity                                    |   |
| Capital   |                |  |                         |                | Capital   |   |
| Common stock  | 36,160,002     | -                                      | -                       | 36,160,002     | Common stock  |   |
| Capital surplus   |                |  |                         |                | Capital surplus   |   |
| Additional paid-in capital                              | 11,042,685     | -                                      | -                       | 11,042,685     | Additional paid-in capital                              |   |
| Treasury stock transactions                             | 1,580,468      | -                                      | -                       | 1,580,468      | Treasury stock transactions                             |   |
| Gain on disposal of property, plant and equipment       | 2,074,231      | -                                      | -                       | 2,074,231      | Gain on disposal of property, plant and equipment       |   |
| Adjustment on long-term equity investments              | 4,508,977      | (4,508,977)                            | -                       | -              | Adjustment on long-term equity investments              | 5) e)   |
| Others  | 1,027,451      | -                                      | -                       | 1,027,451      | Others  |   |
| Unappropriated earnings                                 | 6,560,855      | 7,321,608                              | -                       | 13,882,463     | Unappropriated earnings                                 | 4) b), 4) c), 4) d), 5) b), 5) c), 5) d), 5) e) |
| Others  |                |  |                         |                | Others  |   |
| Cumulative translation adjustments                      | 2,473,544      | (2,473,544)                            | -                       | -              | Cumulative translation adjustments                      | 4) d), 5) d), 5) k)                             |
| Unrealized loss on financial instruments                | (2,695,200)    | 114,605                                | -                       | (2,580,595)    | Unrealized loss on financial instruments                | 5) d), 5) i), 4) b)                             |
| Unrealized revaluation increments                       | 426,405        | (426,405)                              | -                       | -              |   |   |
| Treasury stock  | (650,178)      | (119,664)                              | -                       | (769,842)      | Treasury stock  | 5) i)   |
| Total equity attributable to stockholders of the parent | 62,509,240     | (92,377)                               | -                       | 62,416,863     | Total equity attributable to stockholders of the parent |   |
| Minority interests                                      | 1,871,925      | -                                      | -                       | 1,871,925      | Minority interests                                      |   |
| Total stockholders' equity                              | 64,381,165     | (92,377)                               | -                       | 64,288,788     | Total stockholders' equity                              |   |
| Total liabilities and stockholders' equity              | \$ 126,113,498 | \$ (133,954)                           | \$ -                    | \$ 125,979,544 | Total liabilities and stockholders' equity              |   |

(Concluded)

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

| ROC GAAP  |              | Effect of Transition to IFRSs          |                         | IFRSs        |  | Explanation         |
|---|--------------|--|-------------------------|--------------|--|---------------------|
| Item  | Amount       | Recognition and Measurement Difference | Presentation Difference | Amount       | Item   |                     |
| Current assets  |              |  |                         |              | Current assets   |                     |
| Cash and cash equivalents                                       | \$ 6,060,115 | \$ -                                   | \$ -                    | \$ 6,060,115 | Cash and cash equivalents  |                     |
| Financial assets at fair value through profit or loss - current | 50,191       | -                                      | -                       | 50,191       | Financial assets measured at fair value through profit and loss - current    |                     |
| Available-for-sale financial assets - current                   | 4,413        | -                                      | -                       | 4,413        | Available-for-sale financial assets - current                                |                     |
| Notes receivable, net   | 5,407,147    | -                                      | -                       | 5,407,147    | Notes receivable, net  |                     |
| Accounts receivable, net  | 10,770,179   | -                                      | -                       | 10,770,179   | Accounts receivable, net   |                     |
| Other financial assets - current                                | 503,293      | -                                      | -                       | 503,293      | Other financial assets - current   |                     |
| Inventory   | 22,366,618   | -                                      | (1,622,027)             | 20,744,591   | Inventory  | 5) f), 5) g),       |
| Noncurrent assets classified as held for sale                   | 33,676       | -                                      | -                       | 33,676       | Noncurrent assets classified as held for sale                                |                     |
| Restricted assets - current                                     | 649,281      | -                                      | -                       | 649,281      | Restricted assets - current  |                     |
| Other current assets  | 1,821,981    | (130,215)                              | 30,379                  | 1,722,145    | Other current assets   | 5) a), 5) f)        |
| Total current assets  | 47,666,894   | (130,215)                              | (1,591,648)             | 45,945,031   | Total current assets   |                     |
| Fund and investment   |              |  |                         |              |  |                     |
| Investments accounted for by the equity method                  | 17,300,710   | (169,460)                              | -                       | 17,131,250   | Investments accounted for by the equity method                               | 5) d), 5) h), 5) k) |
| Real estate investment  | 163,017      | -                                      | (163,017)               | -            | Real estate investment   | 5) g)               |
| Available-for-sale financial assets - noncurrent                | 1,265,444    | -                                      | -                       | 1,265,444    | Available-for-sale financial assets - noncurrent                             |                     |
| Financial assets carried at cost - noncurrent                   | 1,547,322    | 1,216                                  | -                       | 1,548,538    | Financial assets measured at fair value through profit and loss - noncurrent | 5) k)               |
| Total fund and investments                                      | 20,276,493   | (168,244)                              | (163,017)               | 19,945,232   |  |                     |
| Property, plant and equipment, net                              | 34,973,051   | 84                                     | (9,128,161)             | 25,844,974   | Property, plant and equipment, net   | 5) g), 5) j), 5) k) |
| Investment property   | -            | -                                      | 10,835,517              | 10,835,517   | Investment property  | 5) g)               |
| Intangible assets   |              |  |                         |              |  |                     |
| Land use right  | 1,469,694    | -                                      | (1,469,694)             | -            |  | 5) f)               |
| Others  | 191,401      | -                                      | -                       | 191,401      | Other intangible assets  |                     |
| Total intangible assets   | 1,661,095    | -                                      | (1,469,694)             | 191,401      |  |                     |

(Continued)

| ROC GAAP   |                | Effect of Transition to IFRSs          |                         | IFRSs          |  | Explanation   |
|--|----------------|--|-------------------------|----------------|--|---|
| Item   | Amount         | Recognition and Measurement Difference | Presentation Difference | Amount         | Item   |   |
| Other assets   |                |  |                         |                |  |   |
| Refundable deposits  | \$ 417,041     | \$ -                                   | \$ -                    | \$ 417,041     | Refundable deposits  |   |
| Deferred charges   | 109,221        | -                                      | -                       | 109,221        | Deferred charges   |   |
| Deferred income tax assets - noncurrent                              | 1,005,010      | 128,771                                | -                       | 1,133,781      | Deferred income tax assets - noncurrent  | 5) a)   |
| Long-term lease payment receivable                                   | -              | -                                      | 1,536,079               | 1,536,079      | Long-term lease payment receivable   | 5) f)   |
| Others   | 2,694,344      | (11,216)                               | (19,076)                | 2,664,052      | Others   | 5) h), 5) j), 5) k)   |
| Total other assets   | 4,225,616      | 117,555                                | 1,517,003               | 62,677,298     | Total noncurrent assets  |   |
| Total assets   | \$ 108,803,149 | \$ (180,820)                           | \$ -                    | \$ 108,622,329 | Total assets   |   |
| Current liabilities  |                |  |                         |                | Current liabilities  |   |
| Short-term bank borrowing  | \$ 11,772,817  | \$ -                                   | \$ -                    | \$ 11,772,817  | Short-term bank borrowing  |   |
| Short-term bills payable   | 95,956         | -                                      | -                       | 95,956         | Short-term bills payable   |   |
| Financial liabilities at fair value through profit or loss - current | 4,529          | -                                      | -                       | 4,529          | Financial liabilities measured at fair value through profit and loss - current |   |
| Financial liabilities held for hedging - current                     | 287            | -                                      | -                       | 287            | Financial liabilities held for hedging - current                               |   |
| Notes payable  | 907,770        | -                                      | -                       | 907,770        | Notes payable  |   |
| Accounts payable   | 5,037,441      | -                                      | -                       | 5,037,441      | Accounts payable   |   |
| Income tax payable   | 923,755        | -                                      | -                       | 923,755        | Income tax payable   |   |
| Other payables   | 3,811,075      | 18,735                                 | -                       | 3,829,810      | Other payables   | 5) b)   |
| Current portion of long-term liabilities                             | 126,174        | -                                      | -                       | 126,174        | Current portion of long-term liabilities                                       |   |
| Other current liabilities  | 1,357,185      | (123,823)                              | -                       | 1,233,362      | Other current liabilities  | 5) a)   |
| Total current liabilities  | 24,036,989     | (105,088)                              | -                       | 23,931,901     | Total current liabilities  |   |
| Long-term liabilities  | 19,663,616     | -                                      | -                       | 19,663,616     | Noncurrent liabilities   |   |
| Reserve for land revaluation increment tax                           | 131,132        | (131,132)                              | -                       | -              |  | 4) b)   |
| Other liabilities  |                |  |                         |                |  |   |
| Accrued pension cost   | 1,328,888      | 26,492                                 | -                       | 1,355,380      | Accrued pension cost   | 5) c)   |
| Deferred income tax liabilities - noncurrent                         | 65,583         | 254,955                                | -                       | 320,538        | Deferred income tax liabilities - noncurrent                                   | 4) b), 5) a)  |
| Others   | 1,483,996      | -                                      | -                       | 1,483,996      | Others   |   |
| Total other liabilities  | 2,878,467      | 281,447                                | -                       | 22,823,530     | Total other liabilities  |   |
| Total liabilities  | 46,710,204     | 45,227                                 | -                       | 46,755,431     | Total liabilities  |   |
| Stockholders' equity   |                |  |                         |                | Stockholders' equity   |   |
| Capital  |                |  |                         |                | Capital  |   |
| Common stock   | 36,160,002     | -                                      | -                       | 36,160,002     | Common stock   |   |
| Capital surplus  |                |  |                         |                | Capital surplus  |   |
| Additional paid-in capital   | 11,060,582     | -                                      | -                       | 11,060,582     | Additional paid-in capital   |   |
| Treasury stock transactions  | 1,580,468      | -                                      | -                       | 1,580,468      | Treasury stock transactions  |   |
| Gain on disposal of property, plant and equipment                    | 2,074,231      | -                                      | -                       | 2,074,231      | Gain on disposal of property, plant and equipment                              |   |
| Adjustment on long-term equity investments                           | 4,432,342      | (4,432,342)                            | -                       | -              | Adjustment on long-term equity investments                                     | 5) e)   |
| Others   | 1,027,447      | -                                      | -                       | 1,027,443      | Others   |   |
| Unappropriated earnings  | 3,232,397      | 7,185,034                              | -                       | 10,417,431     | Unappropriated earnings  | 4) b), 4) c), 4) d), 4) e), 5) b), 5) c), 5) d), 5) e), 5) k) |
| Others   |                |  |                         |                | Others   |   |
| Cumulative translation adjustments                                   | 1,022,341      | (2,501,054)                            | -                       | (1,478,713)    | Cumulative translation adjustments   | 4) c), 5) d), 5) k)   |
| Unrealized loss on financial instruments                             | (2,243,041)    | 105,766                                | -                       | (2,137,275)    | Unrealized loss on financial instruments                                       | 5) d), 5) i)  |
| Unrealized revaluation increments                                    | 426,405        | (426,405)                              | -                       | -              |  | 4) b)   |
| Treasury stock   | (936,297)      | (119,664)                              | -                       | (1,055,961)    | Treasury stock   | 5) i)   |
| Total equity attributable to stockholders of the parent              | 57,836,873     | (188,665)                              | -                       | 57,648,208     | Total equity attributable to stockholders of the parent                        |   |
| Minority interests   | 4,256,072      | (37,382)                               | -                       | 4,218,690      | Minority interests   |   |
| Total stockholders' equity   | 62,092,945     | (226,047)                              | -                       | 61,866,898     | Total stockholders' equity   |   |
| Total liabilities and stockholders' equity                           | \$ 108,803,149 | \$ (180,820)                           | \$ -                    | \$ 108,622,329 | Total liabilities and stockholders' equity                                     |   |

(Concluded)

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

| ROC GAAP<br>Item                 | Amount                | Effect of Transition to IFRSs                |                            | Amount                | IFRSs<br>Item  | Explanation            |
|----------------------------------|-----------------------|--|----------------------------|-----------------------|--|------------------------|
|                                  |                       | Recognition and<br>Measurement<br>Difference | Presentation<br>Difference |                       |  |                        |
| Net operating revenue            | \$ 157,440,479        | \$ 22,572                                    | \$ -                       | \$ 157,463,051        | Net operating revenue                                  | 5) k)                  |
| Operating cost                   | (149,905,502)         | (18,469)                                     | -                          | (149,923,971)         | Operating cost   | 5) k)                  |
| Gross profit                     | 7,534,977             | 4,103  | -                          | 7,539,080             | Gross profit   |                        |
| Operating expenses               |                       |  |                            |                       | Operating expenses                                     |                        |
| Selling                          | (1,800,236)           | (14)   | -                          | (1,800,250)           | Selling  | 5) k)                  |
| General and administrative       | (3,003,156)           | (1,948)                                      | -                          | (3,005,104)           | General and administrative                             | 5) b), 5) c),<br>5) k) |
| Research and development         | (450,895)             | -  | -                          | (450,895)             | Research and development                               |                        |
| Total operating expenses         | (5,254,287)           | (1,962)                                      | -                          | (5,256,249)           | Total operating expenses                               |                        |
| Operating gain                   | 2,280,690             | 2,141  | -                          | 2,282,831             | Operating income                                       |                        |
| Nonoperating income and expenses | (4,186,144)           | 139,791                                      | -                          | (4,046,353)           | Nonoperating income and expenses                       | 5) d), 5) e),<br>5) k) |
| Loss before income tax           | (1,905,454)           | 141,932                                      | -                          | (1,763,522)           | Loss before income tax                                 |                        |
| Income tax expense               | (1,361,302)           | (15)   | -                          | (1,361,317)           | Income tax expense                                     | 5) k)                  |
| Total consolidated loss          | <u>\$ (3,266,756)</u> | <u>\$ 141,917</u>                            | <u>\$ -</u>                | <u>(1,540,440)</u>    | Total consolidated loss                                |                        |
|                                  |                       |  |                            | 451,943               | Cumulative translation adjustments                     |                        |
|                                  |                       |  |                            | (80,079)              | Unrealized loss on financial instruments               |                        |
|                                  |                       |  |                            | (1,168,576)           | Defined benefit obligation's actuarial gain and losses | 5) c)                  |
|                                  |                       |  |                            |                       | Other comprehensive income, net of tax effect          |                        |
|                                  |                       |  |                            | <u>\$ (4,293,415)</u> | Total comprehensive loss                               |                        |

4) Exemptions from IFRS 1

IFRS 1, "First-time Adoption of International Financial Reporting Standards," established the procedures for the preparation of the Company's first consolidated financial statements in accordance with IFRSs. According to IFRS 1, the Company is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to IFRSs (January 1, 2012; the transition date); except for optional exemptions to such retrospective application provided under IFRS 1. The main optional exemptions the Company adopted are summarized as follows:

a) Business combinations

The Company elected not to apply IFRS 3, "Business Combinations," retrospectively to business combinations that occurred before the date of transition to IFRSs. Therefore, in the opening balance sheet, the amount of goodwill generated from past business combinations, related assets and liabilities adopted in business combinations, and noncontrolling interests remain the same compared with those under ROC GAAP as of December 31, 2011. This optional exemption is also applicable to the investments in associates.

b) Fair value or revaluation amount as deemed cost

The Company revalued parts of its land in accordance with ROC GAAP and used the revalued amount as the deemed cost at the date of transition to IFRS. According to IFRS, if an entity elected to use the revaluation amount of land as the deemed cost under its first-time adoption of IFRS, the related reserve for land revaluation increment tax must be reclassified into deferred income tax liability - land value increment tax; the land revaluation increment is reclassified into retained earnings.

c) Employee benefits

The Company reclassified all unrecognized accumulated actuarial profit and loss

concerning employee benefits plan to retained earnings at the date of transition to IFRSs.

d) Cumulative translation differences

The Company elected to set to zero its cumulative translation adjustments in stockholders' equity by reclassifying the amount to retained earnings at the date of transition to IFRS.

5) Notes to the reconciliation of the significant differences:

The Company-specific areas of possible material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

a) Deferred income tax asset/liability

Under ROC GAAP, valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. In accordance with IAS No. 12, "Income Taxes," deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.

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

b) Short-term employee benefits

Short-term employee benefits under ROC GAAP are not expressly stipulated and usually recorded when paid. After the date of transition to IFRS, it is recognized as an expense when employees provided services to increase their paid vacation.

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

According to SFAS No. 18, the unrecognized transition obligation due to first adoption of SFAS No. 18, "Accounting for Pension," should be amortized over the expected remaining working lives of employees. On the date of transition to IFRSs, the retained earnings should be adjusted for unrecognized transition obligation.

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

d) The effects of retained earnings of associates

According to IFRSs, the Company should recognize its share in the IFRS-adoption

adjustments to retained earnings of associates.

- e) Investments and capital surplus - long-term equity investments when associates/subsidiaries issue new shares and the shareholder is not subscribing in accordance with its percentage of shares of the investee/parent company.

According to ROC GAAP, the changes of investment percentage that arise when the investment company does not subscribe for new shares issued by the investee in accordance with its percentage of ownership before the new subscription are adjusted as an increase or decrease in the investment company's equity account "capital surplus - long-term equity investments" and the asset account "long-term equity investments."

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

According to the rules of "Q&A for adopting IFRSs" issued by the TSE, the Company does not need to retroactively adjust the accounts as it is not feasible in reality, but should reclassify capital surplus - long-term equity investment to retained earnings.

- f) Land use right

According to ROC GAAP, land use rights are reclassified to intangible assets. Under IAS No. 17, land use rights should be classified under prepaid lease payments.

- g) Investment property

Under ROC GAAP, a property held under an operating lease may be classified as fixed assets/other assets. Under IFRSs, property held to earn rentals or capital appreciation or both should be reclassified to investment property.

- h) Deferred credits

Under ROC GAAP, the unrealized profits from upstream transaction should be eliminated to the extent of the investor's interest in the associate and reclassified to unrealized gross profit and deferred credits.

Under IFRSs, the unrealized profits from upstream transactions are presented under investment in associates.

- i) Treasury stocks

Under ROC GAAP, if a subsidiary holds its parent's stocks, the parent should account for the stocks as its own treasury stocks. In the first-time adoption of SFAS No. 30, the book value of parent's stocks held by subsidiaries in early 2002 is the basis for recording the treasury stocks. Under IFRSs, the amounts of treasury stock the parents recognize are the original cost of stock to subsidiaries.

j) Idle assets

Under ROC GAAP, idle assets are classified as other assets. However, under IFRSs idle assets are reclassified according to their nature whether property, plant and equipment or investment property.

k) Translation of functional currency of foreign operations

Under ROC GAAP, various indicators are comprehensively adopted to identify functional currency. Under IFRSs, IAS No. 21 “The Effects of Changes in Foreign Exchange Rates” rules that the primary indicators should be considered first and then the secondary indicators in the determination of functional currency. According to the rules, the overseas associates and subsidiaries change their functional currency from U.S. dollars to Renminbi and adjust retroactively the balances of assets and liabilities in Renminbi at the date of transition to IFRSs.

l) Change in parent’s ownership interest in a subsidiary

According to IAS 27, a parent’s sales of its shares in a subsidiary that does not result in loss of control is accounted for as equity transactions. Any difference between the book value and the fair value of the shares is recognized in equity. According to the FAQs issued by the Taiwan Stock Exchange Corporation regarding the adoption of IFRS, the Company should adjust “additional paid-in capital difference between the book value and the price of disposal of subsidiary” directly or debit retained earnings if the additional paid-in capital is zero.

TABLE 1

## WALSIN LIHWA CORPORATION

## FINANCING PROVIDED

YEAR ENDED DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars and U.S. Dollars)

| No. | Financing Company        | Borrower                      | Financial Statement Account | Related Parties | Highest Balance for the Period | Ending Balance (Note 3) | Interest Rate | Type of Financing | Transaction Amounts | Reasons for Short-term Financing | Allowance for Bad Debt | Collateral |       | Financing Limit for Each Borrowing Company (Note 2) | Financing Company's Financing Amount Limits (Note 2) |
|-----|--------------------------|-------------------------------|-----------------------------|-----------------|--------------------------------|-------------------------|---------------|-------------------|---------------------|----------------------------------|------------------------|------------|-------|---|--|
|     |                          |                               |                             |                 |                                |                         |               |                   |                     |                                  |                        | Item       | Value |   |  |
| 0   | Walsin Lihwa Corporation | Walsin Lihwa Holdings Limited | Other receivable            | Yes             | \$ 5,961,000<br>(US\$ 200,000) | \$ -<br>(US\$ -)        | -             | Operating capital | \$ -                | Operating capital                | \$ -                   | -          | \$ -  | \$ 5,997,127<br>(US\$ 201,212)                      | \$ 23,988,509  |

Notes:

- The information on Walsin Lihwa Corporation and the subsidiaries is listed and labeled on the "No." column.
  - "0" represents Walsin Lihwa Corporation.
  - Subsidiaries are numbered starting at 1.
- According to the Article of Endorsement/Guarantee and Financing Provided of Walsin Lihwa Corporation, the total limited amount of endorsement/guarantee and financing provided cannot exceed 40% of the net value of Walsin Lihwa Corporation's current consolidated financial statements. The limited amount of the financing provided to the single enterprise cannot exceed 50% of the net value of the borrowing company. The limited amount of financing provided to the invested company in which over 66.67% of the common stock was held cannot exceed the amount which is the net value multiplied by the equity percentage of the financing provider; in addition, the lending that the chairman of the board of directors can make in a year to a single borrower cannot exceed 10% of the net value of the latest consolidated financial statement.
  - The limited amount of financing provided was as follows:  
The limited amount of financing provided  $\text{NT\$}59,971,272 \times 40\% = \text{NT\$}23,988,509$ .
  - The limited amount of financing provided to the single entity was as follows:  
Walsin Lihwa Holdings Limited:  $\text{NT\$}59,971,272 \times 10\% = \text{NT\$}5,997,127$  (US\$201,212)
- The actually drawn amount of Concord Industries Limited was zero.
- Amounts are stated in thousands of N.T. dollars, except those stated in thousands of U.S. dollars.
- The currency exchange rate as of December 31, 2013 was as follows: US\$ to NT\$= 1:29.805.

TABLE 1-1

## WALSIN LIHWA HOLDINGS LIMITED AND SUBSIDIARIES

FINANCING PROVIDED  
YEAR ENDED DECEMBER 31, 2013  
(In Thousands of New Taiwan Dollars and U.S. Dollars)

| No. | Financing Company             | Borrower   | Financial Statement Account | Related Parties | Highest Balance for the Period | Ending Balance              | Interest Rate | Type of Financing | Transaction Amounts | Reasons for Short-term Financing | Allowance for Bad Debt | Collateral |       | Financing Limit for Each Borrowing Company (Note 1) | Financing Company's Financing Amount Limits (Note 1) |
|-----|-------------------------------|--|-----------------------------|-----------------|--------------------------------|-----------------------------|---------------|-------------------|---------------------|----------------------------------|------------------------|------------|-------|---|--|
|     |                               |  |                             |                 |                                |                             |               |                   |                     |                                  |                        | Item       | Value |   |  |
| 1   | Walsin Lihwa Holdings Limited | Jiangyin Walsin Steel Cable Co., Ltd.              | Other receivable            | Yes             | \$ 300,000<br>(US\$ 10,000)    | \$ 298,050<br>(US\$ 10,000) | 1.82%         | Operating capital | \$ -                | Operating capital                | \$ -                   | -          | \$ -  | \$ 910,930<br>(US\$ 30,563)                         | \$ 29,985,636<br>(US\$ 1,006,061)                    |
|     |                               | Hangzhou Walsin Power Cable & Wire Co., Ltd.       | "                           | "               | 600,000<br>(US\$ 20,000)       | -                           | -             | "                 | -                   | "                                | -                      | "          | -     | -   | -  |
|     |                               | Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. | "                           | "               | 270,000<br>(US\$ 9,000)        | 268,245<br>(US\$ 9,000)     | 1.82%         | "                 | -                   | "                                | -                      | "          | -     | 918,024<br>(US\$ 30,801)                            |  |
|     |                               | XiAn Walsin United Technology Co., Ltd.            | "                           | "               | 810,000<br>(US\$ 27,000)       | 804,735<br>(US\$ 27,000)    | 1.64%-2.07%   | "                 | -                   | "                                | -                      | "          | -     | 29,985,636<br>(US\$ 1,006,061)                      |  |
|     |                               | GLC-(MA) BCH, LLC.                                 | "                           | "               | 11,968<br>(US\$ 399)           | 10,521<br>(US\$ 353)        | 2.16%-2.50%   | "                 | -                   | "                                | -                      | "          | -     | 29,985,636<br>(US\$ 1,006,061)                      |  |
|     |                               | GLC-(MA) SHS, LLC.                                 | "                           | "               | 4,571<br>(US\$ 152)            | 4,024<br>(US\$ 135)         | 2.08%-2.34%   | "                 | -                   | "                                | -                      | "          | -     | 29,985,636<br>(US\$ 1,006,061)                      |  |
|     |                               | GLC-(MA) BBN, LLC.                                 | "                           | "               | 12,485<br>(US\$ 416)           | 10,968<br>(US\$ 368)        | 2.08%-2.34%   | "                 | -                   | "                                | -                      | "          | -     | 29,985,636<br>(US\$ 1,006,061)                      |  |

Notes:

1. For Walsin Lihwa Holdings Limited according to the Article of Financing Provided of Walsin Lihwa Corporation, the total limited amount of the financing provided cannot exceed 50% of the net value of the consolidated financial statements of Walsin Lihwa Corporation. The limited amount of financing provided to the single enterprise that holds directly or indirectly 100% voting right of overseas invested company cannot exceed 50% of the net value of the consolidated financial statements of Walsin Lihwa Corporation. The limited amount of financing provided to the single enterprise that holds more than 2/3 ratio but less than 100% of subsidiaries cannot exceed the net value multiplied by the investment ratio of the financing company. The limited amount of financing provided to the single enterprise that holds less than 2/3 ratio of subsidiaries cannot exceed the 50% of the net value multiplied by the investment ratio of the financing company. In addition, the lending that the chairman of the board of directors can make in a year to a single borrower cannot exceed 10% of the net value of the latest consolidated financial statement of Walsin Lihwa Corporation.

a. The limited amount of financing provided to the single enterprise was as follows:

Jiangyin Walsin Steel Cable Co., Ltd. = US\$40,751 × 100% × 75% = US\$30,563  
 Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. = US\$32,182 × 100% × 95.71% = US\$30,801  
 XiAn Walsin United Technology Co., Ltd. = NT\$59,971,272/29,805 × 50% = US\$1,006,061  
 GLC-(MA) BCH, LLC. = NT\$59,971,272/29,805 × 50% = US\$1,006,061  
 GLC-(MA) SHS, LLC. = NT\$59,971,272/29,805 × 50% = US\$1,006,061  
 GLC-(MA) BBN, LLC. = NT\$59,971,272/29,805 × 50% = US\$1,006,061

b. The limit of amount of financing provided was as follows:

The limit of amount of financing provided = NT\$59,971,272 × 50% = NT\$29,985,636 (US\$1,006,061)

2. The actually drawn amount of Jiangyin Walsin Steel Cable Co., Ltd. was US\$10,000 thousand.  
 The actually drawn amount of Hangzhou Walsin Power Cable & Wire Co., Ltd. was zero.  
 The actually drawn amount of Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. was US\$9,000 thousand.  
 The actually drawn amount of XiAn Walsin United Technology Co., Ltd. was US\$27,000 thousand.  
 The actually drawn amount of GLC-(MA) BCH, LLC. was US\$342 thousand.  
 The actually drawn amount of GLC-(MA) SHS, LLC. was US\$135 thousand.  
 The actually drawn amount of GLC-(MA) BBN, LLC. was US\$368 thousand.
3. Amounts are stated in thousands of N.T. dollars, except those stated in thousands of U.S. dollars.
4. The currency exchange rate as of December 31, 2013 was as follows: US\$ to NT\$= 1:29.805.

(Concluded)



TABLE 1-2

## CONCORD INDUSTRIES LIMITED AND SUBSIDIARIES

## FINANCING PROVIDED

YEAR ENDED DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars and U.S. Dollars)

| No. | Financing Company            | Borrower  | Financial Statement Account | Related Parties | Highest Balance for the Period | Ending Balance             | Interest Rate | Type of Financing | Transaction Amounts | Reasons for Short-term Financing | Allowance for Bad Debt | Collateral |       | Financing Limit for Each Borrowing Company (Note 1) | Financing Company's Financing Amount Limits (Note 1) |
|-----|------------------------------|---|-----------------------------|-----------------|--------------------------------|----------------------------|---------------|-------------------|---------------------|----------------------------------|------------------------|------------|-------|---|--|
|     |                              |   |                             |                 |                                |                            |               |                   |                     |                                  |                        | Item       | Value |   |  |
| 2   | Concord Industries Limited   | XiAn Walsin Metal Product Co., Ltd.                 | Other receivable            | Yes             | \$ 120,000<br>(US\$ 4,000)     | \$ -<br>(US\$ -)           | -             | Operating capital | \$ -                | Operating capital                | \$ -                   | -          | \$ -  | \$ 29,985,636<br>(US\$ 1,006,061)                   | \$ 29,985,636<br>(US\$ 1,006,061)                    |
|     |                              | Jiangyin Walsin Specialty Alloy Materials Co., Ltd. | "                           | "               | 1,794,000<br>(US\$ 59,800)     | 1,639,275<br>(US\$ 55,000) | 2.07%-2.09%   | "                 | -                   | "                                | -                      | "          | -     | 29,985,636<br>(US\$ 1,006,061)                      |  |
|     |                              | Walsin Lihwa Holdings Limited                       | "                           | "               | 2,384,400<br>(US\$ 80,000)     | 2,384,400<br>(US\$ 80,000) | 0.18%-0.21%   | "                 | -                   | "                                | -                      | "          | -     | 5,997,127<br>(US\$ 201,212)                         |  |
| 3   | Walsin Specialty Steel Corp. | Changshu Walsin Specialty Steel Co., Ltd.           | "                           | "               | 2,101,000<br>(US\$ 67,000)     | 1,996,935<br>(US\$ 67,000) | 1.94%-2.04%   | "                 | -                   | "                                | -                      | "          | -     | 29,985,636<br>(US\$ 1,006,061)                      |  |
|     |                              | Walsin Lihwa Holdings Limited                       | "                           | "               | 1,818,105<br>(US\$ 61,000)     | 1,818,105<br>(US\$ 61,000) | 0.19%-0.21%   | "                 | -                   | "                                | -                      | "          | -     | 5,997,127<br>(US\$ 201,212)                         |  |

Notes:

1. According to the Article of Financing Provided of Concord Industries Limited and Walsin Specialty Steel Corp., the total limited amount of the financing provided cannot exceed 50% of the net value of the consolidated financial statements of Walsin Lihwa Corporation. The limited amount of financing provided to the single enterprise that hold directly or indirectly 100% voting right of overseas invested company cannot exceed 50% of the net value of the consolidated financial statements of Walsin Lihwa Corporation. The limited amount of financing provided to the single enterprise that holds more than 2/3 ratio but less than 100% of subsidiaries cannot exceed the net value multiplied by the investment ratio of the financing company. The limited amount of financing provided to the single enterprise that holds less than 2/3 ratio of subsidiaries cannot exceed the 50% of the net value multiplied by the investment ratio of the financing company. In addition, the lending that the chairman of the board of directors can make in a year to a single borrower cannot exceed 10% of the net value of the latest consolidated financial statement of Walsin Lihwa Corporation.

a. The limited amount of financing provided to the single enterprise was as follows:

XiAn Walsin Metal Product Co., Ltd. = NT\$59,971,272/29.805 × 50% = US\$1,006,061  
 Jiangyin Walsin Specialty Alloy Materials Co., Ltd. = NT\$59,971,272/29.805 × 50% = US\$1,006,061  
 Changshu Walsin Specialty Steel Co., Ltd. = NT\$59,971,272/29.805 × 50% = US\$1,006,061  
 Walsin Lihwa Holdings Limited NT\$59,971,272/29.805 × 10% = US\$201,212

b. The limited amount of financing provided was as follows:

The limit of amount of financing provided = NT\$59,971,272 × 50% = NT\$29,985,636 (US\$1,006,061)

2. The actually drawn amount of Jiangyin Walsin Specialty Alloy Materials Co., Ltd. was zero.  
 The actually drawn amount of XiAn Walsin Metal Product Co., Ltd. was US\$35,000 thousand.  
 The actually drawn amount of Changshu Walsin Specialty Steel Co., Ltd. was US\$48,000 thousand.  
 The actually drawn amount of Walsin Lihwa Holdings Limited was US\$30,100 thousand and US\$22,400 thousand, respectively.

3. Amounts are stated in thousands of N.T. dollars, except those stated in thousands of U.S. dollars.

4. The currency exchange rate as of December 31, 2013 was as follows: US\$ to NT\$= 1:29.805.

## CHIN-CHERNG CONSTRUCTION CO. AND SUBSIDIARIES

## FINANCING PROVIDED

YEAR ENDED DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars and U.S. Dollars)

| No. | Financing Company                 | Borrower                              | Financial Statement Account | Related Parties | Highest Balance for the Period | Ending Balance              | Interest Rate | Type of Financing | Transaction Amounts | Reasons for Short-term Financing | Allowance for Bad Debt | Collateral |       | Financing Limit for Each Borrowing Company (Note 1) | Financing Company's Financing Amount Limits (Note 1) |
|-----|-----------------------------------|---------------------------------------|-----------------------------|-----------------|--------------------------------|-----------------------------|---------------|-------------------|---------------------|----------------------------------|------------------------|------------|-------|---|--|
|     |                                   |                                       |                             |                 |                                |                             |               |                   |                     |                                  |                        | Item       | Value |   |  |
| 4   | Joint Success Enterprises Limited | Walsin (Nanjing) Construction Limited | Other receivable            | Yes             | \$ 794,400<br>(US\$ 26,480)    | \$ 789,236<br>(US\$ 26,480) | 1.82%         | Operating capital | \$ -                | Operating capital                | \$ -                   | -          | \$ -  | \$ 7,910,038<br>(US\$ 265,393)                      | \$ 10,019,845<br>(US\$ 336,180)                      |
|     |                                   | Walsin Lihwa Holdings Limited         | "                           | "               | 90,000<br>(US\$ 3,000)         | 59,610<br>(US\$ 2,000)      | 0.20%-0.21%   | "                 | -                   | "                                | -                      | "          | -     | 5,997,127<br>(US\$ 201,212)                         |  |

## Notes:

1. According to the Article of Endorsement/Guarantee and Financing Provided of Joint Success Enterprises Limited, the total limited amount of the endorsement/guarantee and financing provided cannot exceed 250% of the net value of the most recent consolidated financial statement of Joint Success Enterprises Limited. The limited amount of financing provided to the single enterprise that holds less than 100% of subsidiaries cannot exceed 250% of the net value of the consolidated financial statements multiplied by the investment ratio of Walsin Lihwa Corporation. In addition, the lending that the chairman of the board of directors can make in a year to a single borrower cannot exceed 10% of the net value of the latest consolidated financial statement of Walsin Lihwa Corporation.
  - a. The limited amount of financing provided to the single enterprise was as follows:

Walsin (Nanjing) Construction Limited = US\$106,927 × 250% × 99.28% = US\$265,393  
Walsin Lihwa Holdings Limited = NT\$59,971,272/29,805 × 10% = US\$201,212
  - b. The limited amount of financing provided was as follows:

The limited amount of financing provided = US\$134,472 × 250% × 100% = US\$336,180
2. The actually drawn amount of Walsin (Nanjing) Construction Limited was US\$26,480 thousand. The actually drawn amount of Walsin Lihwa Holdings Limited was US\$1,400 thousand.
3. Amounts are stated in thousands of N.T. dollars, except those stated in thousands of U.S. dollars.
4. The currency exchange rate as of December 31, 2013 was as follows: US\$ to NT\$= 1:29.805.

TABLE 1-4

## MARKET PILOT LIMITED

## FINANCING PROVIDED

YEAR ENDED DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars and U.S. Dollars)

| No. | Financing Company    | Borrower                      | Financial Statement Account | Related Parties | Highest Balance for the Period | Ending Balance            | Interest Rate | Type of Financing | Transaction Amounts | Reasons for Short-term Financing | Allowance for Bad Debt | Collateral |       | Financing Limit for Each Borrowing Company (Note 1) | Financing Company's Financing Amount Limits (Note 1) |
|-----|----------------------|-------------------------------|-----------------------------|-----------------|--------------------------------|---------------------------|---------------|-------------------|---------------------|----------------------------------|------------------------|------------|-------|---|--|
|     |                      |                               |                             |                 |                                |                           |               |                   |                     |                                  |                        | Item       | Value |   |  |
| 5   | Market Pilot Limited | Walsin Lihwa Holdings Limited | Other receivable            | Yes             | \$ 30,000<br>(US\$ 1,000)      | \$ 29,805<br>(US\$ 1,000) | 0.20%-0.21%   | Operating capital | \$ -                | Operating capital                | \$ -                   | -          | \$ -  | \$ 5,997,127<br>(US\$ 201,212)                      | \$ 29,985,636<br>(US\$ 1,006,061)                    |

## Notes:

- According to the Financing Provided of Market Pilot Limited, the total limited amount of financing provided cannot exceed 50% of the net value of Walsin Lihwa Corporation's consolidated financial statements. The limited amount of financing provided to the single enterprise that holds directly or indirectly 100% voting right of overseas invested company cannot exceed 50% of the net value of the consolidated financial statements of Walsin Lihwa Corporation. The limited amount of financing provided to the single enterprise that holds more than 2/3 ratio but less than 100% of subsidiaries cannot exceed the net value multiplied by the investment ratio of the financing company. The limited amount of financing provided to the single enterprise that holds less than 2/3 ratio of subsidiaries cannot exceed 50% of net value multiplied by the investment ratio of the financing company. In addition, the lending that the chairman of the board of directors can make in a year to a single borrower cannot exceed 10% of the net value of the latest consolidated financial statement of Walsin Lihwa Corporation.
  - The limited amount of financing provided to the single enterprise was as follows:  
Walsin Lihwa Holdings Limited = NT\$59,971,272/29,805 × 10% = US\$201,212
  - The limited amount of financing provided was as follows:  
The limited amount of financing provided = NT\$59,971,272 × 50% = NT\$29,985,636 (US\$1,006,061)
- The actually drawn amount of Walsin Lihwa Holdings Limited was US\$1,000 thousand.
- Amounts are stated in thousands of N.T. dollars, except those stated in thousands of U.S. dollars.
- The currency exchange rate as of December 31, 2013 was as follows: US\$ to NT\$= 1:29.805.

TABLE 2

## WALSIN LIHWA CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED  
YEAR ENDED DECEMBER 31, 2013  
(In Thousands)

| No. | Endorsement/<br>Guarantee Provider | Guaranteed Party                         |                                       | Limits on Each<br>Guaranteed Party's<br>Endorsement/<br>Guarantee Amounts<br>(Note 3) | Highest<br>Balance for the<br>Period | Ending Balance<br>(Note 4)        | Amount of<br>Endorsement/<br>Guarantee<br>Collateralized<br>by Properties | Ratio of Accumulated<br>Endorsement/<br>Guarantee to Net<br>Equity Per Latest<br>Financial Statement | Maximum Collateral/<br>Guarantee Amounts<br>Allowable<br>(Note 3) |
|-----|------------------------------------|--|---------------------------------------|---|--------------------------------------|-----------------------------------|---|--|---|
|     |                                    | Name                                     | Nature of<br>Relationship<br>(Note 2) |   |                                      |                                   |   |  |   |
| 0   | Walsin Lihwa Corporation           | Walsin Lihwa Holdings                    | 2                                     | NT\$ 59,971,272   | NT\$ 24,674,125<br>(US\$ 767,000)    | NT\$ 13,769,910<br>(US\$ 462,000) | -   | 23   | NT\$ 59,971,272   |
|     |                                    | Walsin Precision Technology<br>Sdn. Bhd. | 3                                     | NT\$ 1,187,107<br>(MYR 131,473)   | NT\$ 421,591<br>(MYR 21,000)         | NT\$ -<br>(MYR -)                 | -   | -  |   |
|     |                                    | Chin-Xin Investment                      | 2                                     | NT\$ -  | NT\$ 1,200,000                       | NT\$ -                            | -   | -  |   |
|     |                                    | Borrego Solar Systems, Inc.              | 3                                     | NT\$ 1,319,229<br>(US\$ 44,262)   | NT\$ 720,000<br>(US\$ 24,000)        | NT\$ 715,320<br>(US\$ 24,000)     | -   | 1  |   |
|     |                                    | GLC-(CA) SDCCD, LLC.                     | 3                                     | NT\$ 374,232<br>(US\$ 12,556)   | NT\$ 181,650<br>(US\$ 6,000)         | NT\$ 178,830<br>(US\$ 6,000)      | -   | -  |   |
|     |                                    | GLC Solar Fund II, LLC.                  | 3                                     | NT\$ 485,166<br>(US\$ 16,278)   | NT\$ 311,833<br>(US\$ 10,300)        | NT\$ 306,992<br>(US\$ 10,300)     | -   | 1  |   |
|     |                                    | GLC Solar Fund V, LLC.                   | 3                                     | NT\$ 806,166<br>(US\$ 27,048)   | NT\$ 442,863<br>(US\$ 14,628)        | NT\$ 435,988<br>(US\$ 14,628)     | -   | 1  |   |
|     |                                    | GLC Solar Fund VI, LLC.                  | 3                                     | NT\$ 1,244,150<br>(US\$ 41,743)   | NT\$ 593,390<br>(US\$ 19,600)        | NT\$ 584,178<br>(US\$ 19,600)     | -   | 1  |   |
|     |                                    |  |                                       | NT\$ 28,545,452   | NT\$ 15,991,218                      |                                   | 27  |  |   |

## Notes:

- The information on Walsin Lihwa Corporation and the subsidiaries is listed and labeled on the "No." column.
  - "0" represents Walsin Lihwa Corporation.
  - Subsidiaries are numbered starting at 1.
- The relationship between Walsin Lihwa Corporation and the endorsed/guaranteed entities can be classified into six types.
  - The entity is with business transactions.
  - The subsidiary in which over 50% of common stock was held by the parent company directly.
  - The invested company in which over 50% of common stock was held directly/indirectly by Walsin Lihwa Corporation and the subsidiaries.
  - The parent company which held directly or indirectly through subsidiaries over 50% of common stock of Walsin Lihwa Corporation.
  - The mutually endorsed companies due to the requirement of the project work.
  - The company which was endorsed due to the co-investment agreement. The endorsement percentage of each investor is based on the investment percentage.

(Continued)

3. According to the Article of Endorsement/Guarantee and Financing Provided of Walsin Lihwa Corporation, the total limited amount of endorsement/guarantee cannot exceed 100% of the net value of Walsin Lihwa Corporation's current financial statement (including the consolidated financial statement). The limited amount of the endorsement/guarantee and financing provided to the single enterprise cannot exceed the net value of the guaranteed company. The limited amount of the guarantee to the invested company in which over 66.67% of the common stock was held cannot exceed the amount which is 250% of the net value multiplied by the equity percentage of the guarantee provider; however, the limits mentioned above are not applicable to Walsin Lihwa Corporation's wholly owned holding companies incorporated in duty-free area overseas.

a. The limited amount of endorsement/guarantee provided was as follows:

$$\text{NT\$}59,971,272 \times 100\% = \text{NT\$}59,971,272$$

b. The limited amount of endorsement/guarantee provided to the single entity was as follows:

Walsin Precision Technology Sdn. Bhd.:  $\text{MYR}52,589 \times 250\% \times 100\% = \text{MYR}131,473$ ; Walsin Lihwa Corporation has released this company's liability of endorsements and guarantees on June 7, 2013.

Chin-Xin Investment:  $\text{NT\$}6,254,195 \times 0\% \times 37.00\% = \text{NT\$}0$ ; Walsin Lihwa Corporation has released this company's liability of endorsements and guarantees on February 22, 2013.

Borrego Solar Systems, Inc.:  $\text{US\$}22,783 \times 250\% \times 77.71\% = \text{US\$}44,262$

GLC-(CA) SDCCD, LLC.:  $\text{US\$}5,125 \times 250\% \times 98\% = \text{US\$}12,556$

GLC Solar Fund II, LLC.:  $\text{US\$}6,644 \times 250\% \times 98\% = \text{US\$}16,278$

GLC Solar Fund V, LLC.:  $\text{US\$}11,040 \times 250\% \times 98\% = \text{US\$}27,048$

GLC Solar Fund VI, LLC.:  $\text{US\$}17,038 \times 250\% \times 98\% = \text{US\$}41,743$

4. The actually drawn amount of Walsin Lihwa Holdings was US\$299,000 thousand this period;  
The actually drawn amount of Walsin Precision Technology Sdn. Bhd. was zero this period;  
The actually drawn amount of Chin-Xin Investment was zero this period;  
The actually drawn amount of Borrego Solar Systems, Inc. was US\$15,823 thousand this period;  
The actually drawn amount of GLC-(CA) SDCCD, LLC. was US\$5,057 thousand this period;  
The actually drawn amount of GLC Solar Fund II, LLC. was US\$8,929 thousand this period;  
The actually drawn amount of GLC Solar Fund V, LLC. was US\$11,537 thousand this period;  
The actually drawn amount of GLC Solar Fund VI, LLC. was US\$17,799 this period;

5. The currency exchange rate as of December 31, 2013 was as follows: US\$ to NT\$= 1:29.805; MYR to NT\$= 1:9.02928.

(Concluded)

TABLE 3

## WALSIN LIHWA CORPORATION

**MARKETABLE SECURITIES HELD  
DECEMBER 31, 2013  
(In Thousands of New Taiwan Dollars)**

| Holding Company Name     | Marketable Securities Type and Name of Issuer | Relationship of Issuer to the holding Company   | Financial Statement Account                      | December 31, 2013 |                |                         |                                 | Note |
|--------------------------|---|---|--|-------------------|----------------|-------------------------|---------------------------------|------|
|                          |   |   |  | Shares/Units      | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value |      |
| Walsin Lihwa Corporation | <u>Stock</u><br>HannStar Display              | Chairman of the board of directors is an immediate relative of the chairman of the board of directors of Walsin Lihwa Corporation | Available-for-sale financial assets - noncurrent | 212,818,099       | \$ 2,351,640   | 7.26                    | \$ 2,351,640                    |      |
|                          | HannStar Board                                | -   | "  | 76,514,639        | 860,790        | 16.71                   | 860,790                         |      |
|                          | Powertec Energy Corp.                         | "   | Financial assets measured at cost - noncurrent   | 69,150,000        | 205,706        | 13.89                   | -                               |      |
|                          | Kuong Tai Metal Industrial Co., Ltd.          | The holding company is a director of the issuer company   | "  | 8,141,846         | 101,548        | 9.52                    | -                               |      |
|                          | One-Seven Trading Co., Ltd.                   | -   | "  | 30,000            | 300            | 6.67                    | -                               |      |
|                          | Global Investment Holdings                    | The holding company is a director of the issuer company   | "  | 5,562,000         | 50,000         | 2.93                    | -                               |      |
|                          | WK Technology Fund                            | -   | "  | 3,715,600         | 40,589         | 1.91                    | -                               |      |
|                          | Universal Venture Capital Investment          | "   | "  | 1,400,000         | 14,000         | 1.16                    | -                               |      |
|                          | Taiwan High Speed Rail                        | The holding company is a director of the issuer company   | "  | 50,000,000        | 134,000        | 0.47                    | -                               |      |
|                          | Parawin Venture Capital Corp.                 | -   | "  | 696,982           | 2,614          | 0.87                    | -                               |      |

TABLE 3-1

## WALSIN LIHWA HOLDINGS LIMITED AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2013

(In Thousands of U.S. Dollars and Renminbi)

| Holding Company Name             | Marketable Securities Type and Name of Issuer                        | Relationship of Issuer to the holding Company  | Financial Statement Account                         | December 31, 2013 |                |                         |                                 | Note |
|----------------------------------|--|--|---|-------------------|----------------|-------------------------|---------------------------------|------|
|                                  |  |  |   | Shares/Units      | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value |      |
| XiAn LyJing Technology Co., Ltd. | Certification of capital verification                                | Investee accounted for by the cost method<br>" | Financial assets measured at cost - noncurrent<br>" | N/A               | \$ 134,000     | 19.00                   | \$ -                            |      |
|                                  | Shaanxi Tianhong Silicon Industrial Corporation<br>Glory Sky Limited |  |   | N/A               | 20,000         | 10.00                   | -                               |      |
| Borrego Solar Systems, Inc.      | GLC Development, LLC.  | Investee accounted for using equity method     | Investments accounted for using equity method       | N/A               | US\$ 155       | 1.00                    | -                               |      |

Note 1: Please refer to Table 7 for information of investees and details of subsidiaries of Walsin Lihwa Holdings Limited.

Note 2: Amounts are stated in thousands of Renminbi, except those stated in thousands of U.S. dollars.

TABLE 3-2

## CHIN-CHERNG CONSTRUCTION CO. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars and Renminbi)

| Holding Company Name         | Marketable Securities Type and Name of Issuer | Relationship of Issuer to the holding Company | Financial Statement Account                    | December 31, 2013 |                |                         |                                 | Note |
|------------------------------|---|---|--|-------------------|----------------|-------------------------|---------------------------------|------|
|                              |   |   |  | Shares/Units      | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value |      |
| Chin-Cherng Construction Co. | Stock   |   |  |                   |                |                         |                                 |      |
|                              | Chinshan Hotspring Development Co., Ltd.      | Investee accounted for by the cost method     | Financial assets measured at cost - noncurrent | 8                 | \$ -           | 8.00                    | -                               |      |
|                              | Gsharp Corporation                            | "   | "  | 270,000           | -              | 2.73                    | -                               |      |
|                              | Parawin Venture Capital Corp.                 | "   | "  | 8,445             | 52             | 0.01                    | -                               |      |

Note: Amounts are stated in thousands of N.T. dollars, except those stated in thousands of Renminbi.



TABLE 3-3

## WALSIN INFO-ELECTRIC CORP. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars and Renminbi)

| Holding Company Name       | Marketable Securities Type and Name of Issuer | Relationship of Issuer to the holding Company | Financial Statement Account                    | December 31, 2013 |                |                         |                                 | Note |
|----------------------------|---|---|--|-------------------|----------------|-------------------------|---------------------------------|------|
|                            |   |   |  | Shares/Units      | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value |      |
| Walsin Info-Electric Corp. | <u>Stock</u><br>W T International Inc.        | Investee accounted for by the cost method     | Financial assets measured at cost - noncurrent | 228,000           | \$ 2,280       | 9.50                    | \$ -                            |      |

TABLE 3-4

## MARKET PILOT LIMITED AND SUBSIDIARIES

### MARKETABLE SECURITIES HELD DECEMBER 31, 2013 (In Thousands of Renminbi)

| Holding Company Name                    | Marketable Securities Type and Name of Issuer  | Relationship of Issuer to the holding Company | Financial Statement Account                    | December 31, 2013 |                |                         |                                 | Note |
|---|--|---|--|-------------------|----------------|-------------------------|---------------------------------|------|
|   |  |   |  | Shares/Units      | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value |      |
| XiAn Walsin United Technology Co., Ltd. | <u>Certification of capital verification</u><br>Shaanxi Optoelectronics Technology Co., Ltd. | Investee accounted for by the cost method     | Financial assets measured at cost - noncurrent | N/A               | \$ 19,000      | 19.00                   | \$ -                            |      |

**TABLE 4**

**WALSIN LIHWA CORPORATION**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
YEAR ENDED DECEMBER 31, 2013  
(In Thousands of New Taiwan Dollars)**

| Company Name             | Marketable Securities Type and Name | Financial Statement Account                   | Counterparty                     | Nature of Relationship | Beginning Balance |               | Acquisition  |                            | Disposal     |            |                |                         | Ending Balance |              |
|--------------------------|-------------------------------------|---|----------------------------------|------------------------|-------------------|---------------|--------------|----------------------------|--------------|------------|----------------|-------------------------|----------------|--------------|
|                          |                                     |   |                                  |                        | Shares/Units      | Amount        | Shares/Units | Amount                     | Shares/Units | Amount     | Carrying Value | Gain (Loss) on Disposal | Shares/Units   | Amount       |
| Walsin Lihwa Corporation | Stock<br>Concord Industries         | Investments accounted for using equity method | Capital investment and reduction | Subsidiary             | 426,630,943       | \$ 11,373,316 | 92,640,519   | \$ (2,634,069)<br>(Note 1) | 10,147,832   | \$ 301,999 | \$ 301,999     | \$ -                    | 509,123,630    | \$13,705,386 |
|                          | Chin-Xin Investment                 | "   | Sales                            | "                      | 213,096,270       | 2,336,799     | -            | 981,503<br>(Note 1)        | 33,628,000   | 429,446    | (1,099,569)    | (670,123)<br>(Note 2)   | 179,468,270    | 2,218,733    |

Note 1: The amount included investment income or loss and adjustments on cumulative translation adjustments.

Note 2: The loss included cumulative translation adjustment of NT\$56,427 thousand which was accounted for as equity transactions and debited retained earnings due to not losing control and NT\$574,443 thousand which was due to disposal of Chin-Xin where control was lost. The Company remeasured the difference between the book value and the fair value of the remaining shares of Chin-Xin on the disposal date.

TABLE 4-1

## CONCORD INDUSTRIES LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
 YEAR ENDED DECEMBER 31, 2013  
 (In Thousands of Renminbi)

| Company Name                  | Marketable Securities Type and Name   | Financial Statement Account                   | Counterparty  | Nature of Relationship                          | Beginning Balance |          | Acquisition  |                     | Disposal     |         |                |                         | Ending Balance |         |              |
|-------------------------------|---|---|---|---|-------------------|----------|--------------|---------------------|--------------|---------|----------------|-------------------------|----------------|---------|--------------|
|                               |   |   |   |   | Shares/Units      | Amount   | Shares/Units | Amount              | Shares/Units | Amount  | Carrying Value | Gain (Loss) on Disposal | Shares/Units   | Amount  |              |
| Changzhou Wujin NSL Co., Ltd. | Certification of capital verification   |   |   |   |                   |          |              |                     |              |         |                |                         |                |         |              |
|                               | Yantai Jin Cherng Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013) | Investments accounted for using equity method | Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd./Changshu Walsin Specialty Steel Co., Ltd. | Both subsidiaries of Concord Industries Limited | N/A               | \$ 2,264 | N/A          | \$ (103,123) (Note) | -            | \$ -    | \$ -           | \$ -                    | -              | N/A     | \$ (100,859) |
|                               | Yantai Huanghai Iron and Steel Co., Ltd.  | "   | Capital investment  | Subsidiary                                      | N/A               | 1,388    | N/A          | 50,164 (Note)       | -            | -       | -              | -                       | N/A            | 51,552  |              |
| Concord Industries Limited    | Yantai Huanghai Iron and Steel Co., Ltd.  | "   | "   | "   | N/A               | 296      | N/A          | 16,888 (Note)       | -            | -       | -              | -                       | N/A            | 17,184  |              |
|                               | Wuxi Xingcheng Walsin Steel Products Co. Ltd.   | "   | "   | "   | N/A               | -        | N/A          | 249,561 (Note)      | -            | -       | -              | -                       | N/A            | 249,561 |              |
|                               | Walsin Lihwa (Changzhou) Investment Co., Ltd.   | "   | "   | "   | N/A               | -        | N/A          | 298,748 (Note)      | -            | -       | -              | -                       | N/A            | 298,748 |              |
|                               | Changzhou Wujin NSL Co., Ltd.   | "   | Walsin Singapore PTE. Ltd.  | "   | N/A               | -        | N/A          | 437,702 (Note)      | -            | -       | -              | -                       | N/A            | 437,702 |              |
|                               | Changzhou China Steel Precision Materials Co., Ltd.   | "   | "   | "   | N/A               | -        | N/A          | 74,848 (Note)       | -            | -       | -              | -                       | N/A            | 74,848  |              |
| Walsin Singapore PTE. Ltd.    | Changzhou Wujin NSL Co., Ltd.   | "   | Concord Industries Limited  | Parent company                                  | N/A               | 468,298  | -            | (38,216) (Note)     | N/A          | 430,082 | 430,082        | -                       | N/A            | -       |              |
|                               | Changzhou China Steel Precision Materials Co., Ltd.   | "   | "   | "   | N/A               | 74,293   | -            | (80) (Note)         | N/A          | 74,213  | 74,213         | -                       | N/A            | -       |              |

Note: The amount included investment income or loss and adjustments on cumulative translation adjustments.

**TABLE 5**

**WALSIN LIHWA CORPORATION**

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

| Company Name             | Related Party   | Nature of Relationship           | Transaction Details |              |            |   | Abnormal Transaction |               | Notes/Accounts Payable or Receivable |            | Note |
|--------------------------|---|----------------------------------|---------------------|--------------|------------|---|----------------------|---------------|--------------------------------------|------------|------|
|                          |   |                                  | Purchase/Sale       | Amount       | % to Total | Payment Terms   | Unit Price           | Payment Terms | Ending Balance                       | % to Total |      |
| Walsin Lihwa Corporation | Changshu Walsin Specialty Steel Co., Ltd.             | 100% indirectly owned subsidiary | Sales               | \$ (734,594) | (1)        | The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers. | Similar              | Similar       | \$ 58,406                            | 2          |      |
|                          | Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. | "                                | "                   | (956,688)    | (2)        |   | "                    | "             | 276,385                              | 11         |      |
|                          | Walsin Precision Technology Sdn. Bhd                  | "                                | "                   | (455,985)    | (1)        |   | "                    | "             | 21,143                               | 1          |      |
|                          | Jiangyin Walsin Specialty Alloy Materials Co., Ltd.   | "                                | "                   | (205,490)    | -          |   | "                    | "             | 40,641                               | 2          |      |
|                          | Walsin Lihwa Holdings Subsidiary Limited              | Subsidiary                       | "                   | (2,586,741)  | (4)        |   | "                    | "             | 319,725                              | 13         |      |

TABLE 5-1

## WALSIN LIHWA HOLDINGS LIMITED AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
YEAR ENDED DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars and Renminbi)

| Company Name                   | Related Party   | Nature of Relationship                        | Transaction Details |                |            |               | Abnormal Transaction |               | Notes/Accounts Payable or Receivable |            | Note |
|--------------------------------|---|---|---------------------|----------------|------------|---------------|----------------------|---------------|--------------------------------------|------------|------|
|                                |   |   | Purchase/Sale       | Amount         | % to Total | Payment Terms | Unit Price           | Payment Terms | Ending Balance                       | % to Total |      |
| Walsin Lihwa Holdings Limited  | Dongguan Walsin Wire & Cable Co., Ltd.  | 100% indirectly owned subsidiary              | Sales               | RMB(1,945,450) | (74)       | Normal        | Normal               | Normal        | RMB 1,792,411                        | 72         |      |
|                                | Nanjing Walsin Metal Co., Ltd.  | 78.26% indirectly owned subsidiary            | "                   | RMB (502,755)  | (19)       | "             | "                    | "             | RMB 507,607                          | 21         |      |
|                                | Yantai Jin Cherng Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013) | Both subsidiaries of Walsin Lihwa Corporation | "                   | RMB (177,833)  | (7)        | "             | "                    | "             | RMB 164,148                          | 7          |      |
| Nanjing Walsin Metal Co., Ltd. | Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.  | "   | "                   | RMB (598,785)  | (6)        | "             | "                    | "             | RMB 11,598                           | 1          |      |
|                                | Hangzhou Walsin Power Cable & Wire Co., Ltd.  | "   | "                   | RMB (243,561)  | (2)        | "             | "                    | "             | RMB 8,612                            | 1          |      |
| Walsin Lihwa Holdings Limited  | Walsin Lihwa Corporation  | Parent company                                | Purchase            | 2,586,741      | 21         | "             | "                    | "             | (319,725)                            | (26)       |      |

Note: Amounts are stated in thousands of N.T. dollars, except those stated in thousands of Renminbi.

TABLE 5-2

## CONCORD INDUSTRIES LIMITED AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
YEAR ENDED DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars and Renminbi)

| Company Name  | Related Party   | Nature of Relationship                          | Transaction Details |                |            |               | Abnormal Transaction |               | Notes/Accounts Payable or Receivable |            | Note |
|---|---|---|---------------------|----------------|------------|---------------|----------------------|---------------|--------------------------------------|------------|------|
|   |   |   | Purchase/Sale       | Amount         | % to Total | Payment Terms | Unit Price           | Payment Terms | Ending Balance                       | % to Total |      |
| Yantai Jin Cherng Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013) | Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.   | Both subsidiaries of Concord Industries Limited | Sales               | RMB(1,167,514) | (94)       | Normal        | Normal               | Normal        | RMB 111,961                          | 60         |      |
| Yantai Dazhong Recycling Resource Co., Ltd.   | Yantai Jin Cherng Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013) | "   | "                   | RMB (200,381)  | (100)      | "             | "                    | "             | RMB 234,446                          | 100        |      |
| Yantai Huanghai Iron and Steel Co., Ltd.  | "   | "   | "                   | RMB (53,822)   | (100)      | "             | "                    | "             | RMB 62,971                           | 100        |      |
| Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.   | Changshu Walsin Specialty Steel Co., Ltd.   | "   | "                   | RMB (210,903)  | (14)       | "             | "                    | "             | RMB 26,780                           | 6          |      |
|   | Jiangyin Walsin Specialty Alloy Materials Co., Ltd.   | "   | "                   | RMB (108,707)  | (7)        | "             | "                    | "             | RMB -                                | -          |      |
|   | Concord Industries Limited  | Both subsidiaries of Walsin Lihwa Corporation   | "                   | RMB (28,702)   | (2)        | "             | "                    | "             | RMB 404                              | -          |      |
| Concord Industries Limited  | Jiangyin Walsin Specialty Alloy Materials Co., Ltd.   | "   | "                   | RMB (28,384)   | (99)       | "             | "                    | "             | RMB 404                              | 16         |      |
| Changshu Walsin Specialty Steel Co., Ltd.   | Walsin Lihwa Corporation  | Parent company                                  | Purchase            | 734,594        | 21         | "             | "                    | "             | (58,406)                             | (7)        |      |
| Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.   | "   | "   | "                   | 956,688        | 12         | "             | "                    | "             | (276,385)                            | (32)       |      |
| Walsin Precision Technology Sdn. Bhd.   | "   | "   | "                   | 455,985        | 93         | "             | "                    | "             | (21,143)                             | (100)      |      |
| Jiangyin Walsin Specialty Alloy Materials Co., Ltd.   | "   | "   | "                   | 205,490        | 17         | "             | "                    | "             | (40,641)                             | (38)       |      |

Note: Amounts are stated in thousands of N.T. dollars, except those stated in thousands of Renminbi.

TABLE 6

## WALSIN LIHWA CORPORATION

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars)

| Company Name             | Related Party  | Nature of Relationship              | Ending Balance            | Turnover Rate | Overdue |                 | Amounts Received<br>in Subsequent<br>Period | Allowance for<br>Bad Debts |
|--------------------------|--|-------------------------------------|---------------------------|---------------|---------|-----------------|---|----------------------------|
|                          |  |                                     |                           |               | Amount  | Action<br>Taken |   |                            |
| Walsin Lihwa Corporation | Shanghai Baihe Walsin Lihwa Specialty<br>Steel Co., Ltd. | 100% indirectly owned<br>subsidiary | Trade receivables 276,385 | 3.39          | \$ -    | -               | \$ 114,475                                  | \$ -                       |
|                          | Walsin Lihwa Holdings Limited                            | Subsidiary                          | Trade receivables 319,725 | 16.18         | -       | -               | 319,725                                     | -                          |



TABLE 6-1

## WALSIN LIHWA HOLDINGS LIMITED AND SUBSIDIARIES

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2013

(In Thousands of Renminbi and U.S. Dollars)

| Company Name                        | Related Party   | Nature of Relationship                        | Ending Balance                 | Turnover Rate | Overdue |              | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|-------------------------------------|---|---|--------------------------------|---------------|---------|--------------|---------------------------------------|-------------------------|
|                                     |   |   |                                |               | Amount  | Action Taken |                                       |                         |
| Walsin Lihwa Holdings Limited       | Dongguan Walsin Wire & Cable Co., Ltd.  | 100% indirectly owned subsidiary              | Trade receivables \$ 1,792,411 | 1.15          | \$ -    | -            | \$ 165,712                            | \$ -                    |
|                                     | Nanjing Walsin Metal Co., Ltd.  | 78.26% indirectly owned subsidiary            | Trade receivables 507,607      | 1.25          | -       | -            | 81,909                                | -                       |
|                                     | Yantai Jin Cherng Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013) | Both subsidiaries of Walsin Lihwa Corporation | Trade receivables 164,148      | 1.16          | -       | -            | 23,373                                | -                       |
|                                     | Walsin (China) Investment Co., Ltd.   | 100% owned subsidiary                         | Other receivables 407,938      | -             | -       | -            | -                                     | -                       |
|                                     | Jiangyin Walsin Steel Cable Co., Ltd.   | 75% indirectly owned subsidiary               | Other receivables US\$ 10,185  | -             | -       | -            | -                                     | -                       |
|                                     | Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.  | 95.71% indirectly owned subsidiary            | Other receivables US\$ 9,166   | -             | -       | -            | -                                     | -                       |
|                                     | XiAn Walsin United Technology Co., Ltd.   | Both subsidiaries of Walsin Lihwa Corporation | Other receivables US\$ 27,172  | -             | -       | -            | -                                     | -                       |
| Walsin (China) Investment Co., Ltd. | Walsin Lihwa Holdings Limited   | Parent company                                | Other receivables US\$ 4,900   | -             | -       | -            | -                                     |                         |

Note: Amounts are stated in thousands of Renminbi, except those stated in thousands of U.S. dollars.

TABLE 6-2

## CONCORD INDUSTRIES LIMITED AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 DECEMBER 31, 2013  
 (In Thousands of Renminbi and U.S. Dollars)

| Company Name  | Related Party   | Nature of Relationship                          | Ending Balance                 | Turnover Rate | Overdue |              | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|---|---|---|--------------------------------|---------------|---------|--------------|---------------------------------------|-------------------------|
|   |   |   |                                |               | Amount  | Action Taken |                                       |                         |
| Yantai Jin Cherng Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013) | Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.   | Both subsidiaries of Concord Industries Limited | Trade receivables \$ 111,961   | 17.79         | \$ -    | -            | \$ 103,539                            | \$ -                    |
| Yantai Dazhong Recycling Resource Co., Ltd.   | Yantai Jin Cherng Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013) | "   | Trade receivables 234,446      | 1.66          | -       | -            | 36,526                                | -                       |
| Yantai Huanghai Iron and Steel Co., Ltd.  | "   | "   | Trade receivables 62,971       | 1.71          | -       | -            | -                                     | -                       |
| Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.   | Changshu Walsin Specialty Steel Co., Ltd.   | "   | Trade receivables 26,780       | 11.50         | -       | -            | 58,049                                | -                       |
| Concord Industries Limited  | Jiangyin Walsin Specialty Alloy Materials Co., Ltd.   | 100% owned subsidiary                           | Other receivables US\$ 35,665  | -             | -       | -            | -                                     | -                       |
| Walsin Specialty Steel Corp.  | Changshu Walsin Specialty Steel Co., Ltd.   | "   | Other receivables US\$ 48,131  | -             | -       | -            | -                                     | -                       |
| Walsin Singapore PTE. Ltd.  | Concord Industries Limited  | "   | Other receivables US\$ 504,486 | -             | -       | -            | -                                     | -                       |

Note: Amounts are stated in thousands of Renminbi, except those stated in thousands of U.S. dollars.

TABLE 6-3

## CHIN-CHERNG CONSTRUCTION CO. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2013

(In Thousands of Renminbi)

| Company Name                      | Related Party  | Nature of Relationship                                      | Ending Balance    | Turnover Rate | Overdue |              | Amounts Received in Subsequent Period | Allowance for Bad Debts |      |
|-----------------------------------|--|---|-------------------|---------------|---------|--------------|---------------------------------------|-------------------------|------|
|                                   |  |   |                   |               | Amount  | Action Taken |                                       |                         |      |
| Joint Success Enterprises Limited | Walsin (Nanjing) Construction Limited<br>Walsin Lihwa Holdings Limited | Subsidiary<br>Both subsidiaries of Walsin Lihwa Corporation | Other receivables | \$ 164,492    | -       | \$ -         | -                                     | \$ -                    | \$ - |
|                                   |  |   | Other receivables | 8,536         | -       | -            | -                                     | -                       | -    |

TABLE 7

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
DECEMBER 31, 2013

1. Information of investees that Walsin Lihwa Corporation has control ability or significant influence was as follows (in thousands of New Taiwan Dollars):

| Investor Company         | Investee Company                         | Location  | Main Businesses and Products   | Original Investment Amount |                   | Balance as of December 31, 2013 |                         |                | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note |
|--------------------------|--|---|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|------------------------|------|
|                          |  |   |  | December 31, 2013          | December 31, 2012 | Shares                          | Percentage of Ownership | Carrying Value |                                   |                        |      |
| Walsin Lihwa Corporation | Walsin Lihwa Holdings Limited            | Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands | Investments  | \$ 4,535,651               | \$ 4,535,651      | 148,664,834                     | 100.00                  | \$ 10,195,575  | \$ 642,575                        | \$ 665,481             |      |
|                          | Concord Industries Limited               | Trident Chambers Wickhams Cay P.O. Box 146, Road Town, Tortola, British Virgin Islands          | Investments  | 17,102,369                 | 14,644,261        | 509,123,630                     | 100.00                  | 13,553,839     | (878,071)                         | (878,071)              |      |
|                          | Touch Micro-System Technology Corp.      | 566 Gaoshin Road, Yangmei Township, Taoyuan 326 Taiwan, R.O.C.                                  | OEM on MEMS foundry service  | 750,000                    | 900,000           | 2,100,000                       | 100.00                  | 4,325          | 96,641                            | 96,641                 |      |
|                          | Energy Pilot Limited                     | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands        | Investments  | 1,826,879                  | 1,590,095         | 60,670,001                      | 100.00                  | 1,651,715      | (39,849)                          | (39,849)               |      |
|                          | Ally Energy Limited                      | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands        | Solar system model   | 1,917,566                  | 1,644,557         | 64,698,247                      | 100.00                  | 3,792          | (272,378)                         | (272,378)              |      |
|                          | Market Pilot Limited                     | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands        | Investments  | 2,926,037                  | 2,926,037         | 100,000,000                     | 100.00                  | 690,172        | (2,006,837)                       | (2,006,837)            |      |
|                          | Walsin Solar Technology Co., Ltd.        | 25F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan                                      | Solar power manufacturing and selling operations                       | 100,000                    | 100,000           | 10,000,000                      | 100.00                  | 2,248          | (14,901)                          | (14,901)               |      |
|                          | Chin-Cherng Management Service Co., Ltd. | 26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan                                      | Business administration consultation, analysis and building management | 7,206                      | 7,206             | 491,625                         | 100.00                  | 7,359          | 132                               | 132                    |      |
|                          | Min Maw Precision Industry Corp.         | 25F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan                                      | Solar power systems management, design, and installation               | 180,368                    | 160,000           | 21,000,000                      | 100.00                  | 250,158        | 35,780                            | 34,162                 |      |
|                          | Chin-Cherng Construction Co.             | 5th Floor, 192 Jingye 1st Road, Jhongshan District, Taipei 104, Taiwan, R.O.C.                  | Construction business  | 606,213                    | 586,712           | 220,272,539                     | 99.09                   | 3,006,206      | (39,440)                          | (39,160)               |      |
|                          | Walsin Info - Electric Corp.             | 2nd Floor, 192 Jingye 1st Road, Jhongshan District, Taipei 104, Taiwan, R.O.C.                  | Mechanical and electrical, communications, and power systems           | 208,778                    | 208,698           | 23,728,623                      | 98.87                   | 311,436        | 13,752                            | 13,601                 |      |
|                          | Joint Success Enterprises Limited        | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands        | Investments  | 1,224,479                  | 1,224,479         | 38,020,000                      | 49.05                   | 2,006,027      | (221,959)                         | (94,531)               |      |
|                          | Chin-Xin Investment Co., Ltd.            | 26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan                                      | Investments  | 2,237,969                  | 2,215,948         | 179,468,270                     | 37.00                   | 2,218,733      | (955,944)                         | (114,439)              |      |

(Continued)

| Investor Company | Investee Company                      | Location  | Main Businesses and Products   | Original Investment Amount |                   | Balance as of December 31, 2013 |                         |                | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note |
|------------------|---------------------------------------|---|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|------------------------|------|
|                  |                                       |   |  | December 31, 2013          | December 31, 2012 | Shares                          | Percentage of Ownership | Carrying Value |                                   |                        |      |
|                  | Concord VII Venture Capital Co., Ltd. | 11th Floor, 132 Min-Sheng East Road Sec. 3, Taipei 104, Taiwan, R.O.C.        | Venture capital  | \$ 212,480                 | \$ 212,480        | 21,248,000                      | 43.24                   | \$ 71,503      | \$ (11,224)                       | \$ (4,853)             |      |
|                  | Walsin Color Co., Ltd.                | 26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan                    | Management of investments and conglomerate   | 416,849                    | 416,849           | 47,114,093                      | 33.97                   | 312,809        | (229,865)                         | (78,085)               |      |
|                  | Concord II Venture Capital Co., Ltd.  | 11th Floor, 132 Min-Sheng East Road Sec. 3, Taipei 104, Taiwan, R.O.C.        | Venture capital and consulting affairs   | 257,860                    | 257,860           | 26,670,699                      | 26.67                   | 254,941        | (23,964)                          | (6,391)                |      |
|                  | Winbond Electronics Corp.             | No. 8, Keya 1st Rd., Daya Township, Taichung County 428, Taiwan R.O.C.        | Research, development, production and sale of semiconductors and related components                      | 6,170,752                  | 6,170,752         | 858,091,531                     | 23.23                   | 8,192,573      | 305,214                           | 78,568                 |      |
|                  | Walton Advanced Engineering, Inc.     | No. 18, Yugang N. 1st Rd., Qianzhen Dist., Kaohsiung City 806, Taiwan, R.O.C. | Production, sale, and test of semiconductors   | 1,185,854                  | 1,185,854         | 109,628,376                     | 21.90                   | 1,499,703      | 322,378                           | 70,484                 |      |
|                  | Walsin Technology Corp.               | 26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan                    | Production and sale of ceramics capacitors   | 2,010,034                  | 2,010,034         | 125,001,738                     | 18.11                   | 2,390,784      | (502,474)                         | (85,366)               |      |
|                  | HannStar Board Corp.                  | 9 Industrial Fourth Road, Kuan-Yin Hsiang, Taoyuan Hsien, Taiwan, R.O.C.      | Production and sale of printed circuits board, imported trading, and the agency of bidding and quotation | -                          | 695,697           | -                               | -                       | -              | (251,763)                         | (21,109)               |      |
|                  | Powertec Energy Corp.                 | 23F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan                    | Production and sale of solar polysilicon   | -                          | 797,000           | -                               | -                       | -              | (346,341)                         | (53,294)               |      |

(Continued)

## 2. Information of investees that Walsin Lihwa Holdings Limited and subsidiaries have control ability or significant influence was as follows (in thousands of U.S./Renminbi/Hong Kong Dollars):

| Investor Company                              | Investee Company  | Location   | Main Businesses and Products   | Original Investment Amount |                   | Balance as of December 31, 2013 |                         |                | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note |
|---|---|--|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|------------------------|------|
|   |   |  |  | December 31, 2013          | December 31, 2012 | Shares                          | Percentage of Ownership | Carrying Value |                                   |                        |      |
| Walsin Lihwa Holdings Limited                 | Walsin (China) Investment Co., Ltd.                                     | Rm. 2804, 28th Floor, Shanghai Mart Tower, No. 2299, Yanan Road (West), Shanghai, China            | Investments  | US\$ 78,600                | US\$ 78,600       | N/A                             | 100.00                  | \$ 630,129     | \$ 22,197                         | \$ 22,197              |      |
|   | Walsin International Investments Limited                                | Unit 9-15, 22/F, Millennium City, 378 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong                | Investments  | HK\$ 0.002                 | HK\$ 0.002        | 2                               | 100.00                  | (13,696)       | (404)                             | (404)                  |      |
|   | P.T Walsin Lippo Industries   | Jl. MH. Thamrin Block A1-1, Delta Silicon Industrial Park, Lippo Cikarang, Dekasi 17550, Indonesia | Steel wires  | US\$ 1,080                 | US\$ 1,080        | 10,500                          | 70.00                   | 86,072         | 12,384                            | 8,669                  |      |
|   | Renowned International Limited  | Akara Building, 24 De Castro Street Wickhams Cay I, Road Town, Tortola, BVI                        | Investments  | US\$ 16,937                | US\$ 16,937       | 16,937,020                      | 83.97                   | 792,719        | 58,531                            | 49,149                 |      |
|   | Dongguan HannStar Electronics Co., Ltd.                                 | Xiniuipo Industrial Zone, Dalang Town, Dongguan, Guangdong   | Manufacture and sale of wires and cables   | US\$ 9,546                 | US\$ 9,546        | N/A                             | 100.00                  | 46,321         | (15,161)                          | (15,161)               |      |
|   | Walcom Chemicals Industrial Limited                                     | Suite 1111, Tower II, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong                  | Commerce   | US\$ 0.030                 | US\$ 0.030        | 325,000                         | 65.00                   | -              | HK\$ (4)                          | -                      |      |
|   | Borrego Solar Systems, Inc.   | 6210 Lake Shore Drive, San Diego, CA92119, USA   | Specializes in commercial, residential, and public sector turnkey, grid-connected solar electric systems | US\$ 15,000                | US\$ 15,000       | 1,460,458                       | 77.71                   | 143,131        | 26,024                            | 20,219                 |      |
|   | Nanjing Walsin Expo Exhibition Ltd.                                     | No. 199 Yanshan Road, Nanjing  | Exhibition and conference organizing service   | US\$ 265                   | US\$ 265          | N/A                             | 60.00                   | 496            | (436)                             | (262)                  |      |
|   | Nanjing Taiwan Trade Mart Management Co., Ltd.                          | Room 205, 2/F, No. 156, Mengdu Avenue, Jianye Zone, Nanjing  | Business and asset Management, Consulting and Advertising Services                                       | US\$ 1,000                 | US\$ 1,000        | N/A                             | 100.00                  | (156,281)      | (43,969)                          | (43,969)               |      |
|   | Lead Hero Limited   | 12/F Ruttonjee House, 11 Duddell Street, Hong Kong   | Investments  | US\$ 47,600                | US\$ 47,600       | 370,028,101                     | 100.00                  | 160,805        | (2,836)                           | (2,836)                |      |
| Xian Walsin Opto-electronic Limited           | No. 15, Shanglinyuan First Road, Hi-and-New Tech Park of Xi'an, Shaanxi | LED, micro projector, and solar cell assembly  | US\$ 150   | US\$ 150                   | N/A               | 100.00                          | (28,085)                | (9,731)        | (9,731)                           |                        |      |
| Jiang Taiwan Trade Mart Development Co., Ltd. | No.901, Yingtian Avenue, Jianye Zone, Nanjing                           | Nanjing Taiwan Trade Mart Management Co., Ltd. Development and construction, and management        | 2,000  | 2,000                      | N/A               | 100.00                          | 1,994                   | (77)           | (15)                              |                        |      |
| Lead Hero Limited                             | XiAn LyJing Technology Co., Ltd.  | No. 15, Shanglinyuan First Road, Hi-and-New Tech Park of Xian, Shaanxi                             | Solar module assembly  | US\$ 45,200                | US\$ 45,200       | N/A                             | 100.00                  | 159,132        | (2,776)                           | (2,776)                |      |
| Renowned International Limited                | Nanjing Walsin Metal Co., Ltd.  | No. 1, Hengye Road, Nanjing Economic & Technology Development Zone Jiangsu, China                  | Copper alloy   | US\$ 72,001                | US\$ 72,001       | N/A                             | 92.29                   | 943,449        | 68,784                            | 63,481                 |      |
| Walsin (China) Investment Co., Ltd.           | Hangzhou Walsin Power Cable & Wire Co., Ltd.                            | No. 9, 12 Road, Xiasha Economic & Technology Development Zone, Hangzhou, Zhejiang                  | Production and sale of cables and wires  | US\$ 41,210                | US\$ 41,210       | N/A                             | 89.78                   | (20,205)       | (111,186)                         | (99,823)               |      |
|   | Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.                      | No. 1128 Liuxiang Road, Nanxiang Town, Jiading, Shanghai   | Production and sale of cables and wires  | US\$ 14,956                | US\$ 14,956       | N/A                             | 95.71                   | 187,792        | 11,341                            | 10,854                 |      |

(Continued)

| Investor Company | Investee Company                                    | Location   | Main Businesses and Products                         | Original Investment Amount |                   | Balance as of December 31, 2013 |                         |                | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note |
|------------------|---|--|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|------------------------|------|
|                  |   |  |  | December 31, 2013          | December 31, 2012 | Shares                          | Percentage of Ownership | Carrying Value |                                   |                        |      |
|                  | Jiangyin Walsin Steel Cable Co., Ltd.               | No. 679 Binjiang Road (West), Binjiang Economic & Technology Development Zone, Jiangyin, Jiangsu | Manufacture and sale of steel cables and wires       | US\$ 15,000                | US\$ 15,000       | N/A                             | 75.00                   | \$ 186,337     | \$ 107,206                        | \$ 80,404              |      |
|                  | Dongguan Walsin Wire & Cable Co., Ltd.              | Xiniupo Industrial Zone District, Dalang Town, Dongguan, Guangdong                               | Production and sale of bare copper cables and wires  | US\$ 26,000                | US\$ 26,000       | N/A                             | 100.00                  | 386,337        | 19,029                            | 19,029                 |      |
|                  | Nanjing Walsin Metal Co., Ltd.                      | No. 1, Hengye Road, Nanjing Economic & Technology Development Zone Jiangsu, China                | Copper alloy   | US\$ 300                   | US\$ 300          | N/A                             | 0.76                    | 7,769          | 68,784                            | 523                    |      |
|                  | Jiangyin Walsin Specialty Alloy Materials Co., Ltd. | No. 677, Binjiang West Road, Jiangyin City, Jiangsu  | Cold-rolled stainless steel and flat rolled products | US\$ 9,000                 | US\$ 9,000        | N/A                             | 18.37                   | 57,408         | 25,193                            | 4,628                  |      |

Note: Amounts are stated in thousands of Renminbi, except those stated in thousands of U.S. dollars and H.K. dollars

(Continued)

## 3. Information of investees that Concord Industries Limited and subsidiaries have control ability or significant influence was as follows(in thousands of U.S. Dollars/Renminbi):

| Investor Company                              | Investee Company  | Location   | Main Businesses and Products   | Original Investment Amount |                       | Balance as of December 31, 2013 |                         |                | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note  |
|---|---|--|--|----------------------------|-----------------------|---------------------------------|-------------------------|----------------|-----------------------------------|------------------------|---|
|   |   |  |  | December 31, 2013          | December 31, 2012     | Shares                          | Percentage of Ownership | Carrying Value |                                   |                        |   |
| Concord Industries Limited                    | Walsin Specialty Steel Corp   | Offshore Incorporations Centre, Road Town, Tortola, BVI  | Commerce and Investments   | US\$ 173,600 (Note 2)      | US\$ 173,600 (Note 2) | 173,600,000                     | 100.00                  | \$ 909,903     | \$ 21,005                         | \$ 13,469              | Investment gain included deferred unrealized gain which amounted to RMB7,537 thousand   |
|   | Walsin Precision Technology Sdn. Bhd.                                 | 2115-1, Kawasan Perindustrian air Keroh, Fasaiv, Air Keroh, 75450 Melaka, Malaysia                             | Production and sale of stainless steel plates  | US\$ 8,470                 | US\$ 8,470            | 32,178,385                      | 100.00                  | 97,132         | (1,032)                           | (1,032)                |   |
|   | Jiangyin Walsin Specialty Alloy Materials Co., Ltd.                   | No. 677, Binjiang West Road, Jiangyin City, Jiangsu  | Cold-rolled stainless steel and flat-rolled products   | US\$ 40,000                | US\$ 40,000           | N/A                             | 81.63                   | 250,342        | 25,193                            | 15,806                 | Investment gain included deferred unrealized gain which amounted to RMB4,759 thousand   |
|   | Walsin Singapore PTE. Ltd.  | 79 Robinson Road #24-08 CPF Building Singapore   | Commerce and investments   | US\$ 121,321               | US\$ 121,321          | 200,990,217                     | 100.00                  | 504,485        | (43,630)                          | (43,630)               |   |
|   | Jiangyin Yuntai Stainless Steel Products Co., Ltd.                    | No. 215, Renming Road (West), Jiangying, Jiangsu   | Manufacture and sale of strained stainless steel   | US\$ -                     | US\$ 8,436            | N/A                             | -                       | -              | 699                               | 3,707                  | Investment gain included deferred unrealized gain which amounted to RMB3,092 thousand   |
|   | XiAn Walsin Metal Product Co., Ltd.                                   | 2/F, Building B, No. 15, Shanglinyuan First Road, New Industrial Park, Hi-and-New Tech Park of Xian, Shaanxi   | Production and sale of medium and heavy specialized stainless steel plates                         | US\$ 10,000                | US\$ 10,000           | N/A                             | 100.00                  | (155,839)      | (59,332)                          | (59,332)               |   |
|   | Yantai Dazhong Recycling Resource Co., Ltd.                           | Resource Regenerating and Processing Demonstration Area, ETDZ Yantai City, Shantung Province, P.R.C.           | Recycling and manufacture of steel   | US\$ 30,000                | US\$ 30,000           | N/A                             | 100.00                  | 192,424        | 298                               | 298                    | Investment loss included amortization of the difference between acquisition cost and equity in net assets on the acquisition date which amounted to RMB319 thousand |
|   | Yantai Huanghai Iron and Steel Co., Ltd.                              | No. 2 Wuzhishan Road, ETDZ Yantai City, Shantung Province, P.R.C.  | Manufacture and sale of steel billets and wire rods  | US\$ 2,927                 | US\$ 183              | N/A                             | 25.00                   | 17,184         | (325)                             | (400)                  |   |
|   | Changzhou Wujin NSL Co., Ltd.   | No. 280, Changhong Road (West), Wujin Economic & Technology Development Zone, Changzhou City, Jiangsu Province | Manufacture and sale of steel billets  | US\$ 110,000               | -                     | N/A                             | 100.00                  | 437,702        | (33,003)                          | 10,538                 |   |
|   | Changzhou China Steel Precision Materials Co., Ltd.                   | No. 281, Changhong Road (West), Wujin Economic & Technology Development Zone, Changzhou City, Jiangsu Province | Melting and forging of nonferrous metallic materials and composites as well as new types of alloys | US\$ 13,080                | -                     | N/A                             | 30.00                   | 74,848         | 1,850                             | 635                    | Investment loss included amortization of the difference between acquisition cost and equity in net assets on the acquisition date which amounted to RMB319 thousand |
| Walsin Lihwa (Changzhou) Investment Co., Ltd. | 6/F, No.2, Tenglong Road, Wujin Economic Development Area, Jiangsu    | Commerce and investments   | US\$ 49,000  | -                          | N/A                   | 100.00                          | 298,748                 | (916)          | (916)                             |                        |   |
| Wuxi Xingcheng Walsin Steel Products Co. Ltd. | No.2, Renmin West Road, Yangshi Community, Luoshe Town, Huishan, Wuxi | Manufacture and sale of stainless steel  | 250,821  | -                          | N/A                   | 50.00                           | 249,561                 | 6,942          | (1,261)                           |                        |   |
| Walsin Specialty Steel Corp                   | Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.                 | No. 2402, Waiqingsong Road, Baihe Town, Qing Pu Zone, Shanghai   | Manufacture and sale of stainless steel  | US\$ 39,000                | US\$ 39,000           | N/A                             | 100.00                  | (82,597)       | (37,574)                          | (37,574)               |   |
|   | Changshu Walsin Specialty Steel Co., Ltd.                             | No. 56 Renmin Road, Haiyu Town, Changshu City, Jiangsu Province  | Manufacture and sale of specialized steel tubes  | US\$ 97,000                | US\$ 97,000           | N/A                             | 100.00                  | 544,022        | 65,324                            | 65,324                 |   |

(Continued)



| Investor Company                                      | Investee Company   | Location   | Main Businesses and Products   | Original Investment Amount |                   | Balance as of December 31, 2013 |                         |                | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note  |
|---|--|--|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|------------------------|---|
|   |  |  |  | December 31, 2013          | December 31, 2012 | Shares                          | Percentage of Ownership | Carrying Value |                                   |                        |   |
| Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. | Yantai Jin Cherg Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013) | No. 2 Wuzhishan Road. ETDZ Yantai City, Shantung Province, P.R.C.  | Production and sale of electronic components and new alloy materials                               | \$ -                       | \$ 100,000        | N/A                             | -                       | \$ -           | \$ (105,560)                      | \$ -                   |   |
| Changshu Walsin Specialty Steel Co., Ltd.             | Yantai Jin Cherg Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013) | No. 2 Wuzhishan Road. ETDZ Yantai City, Shantung Province, P.R.C.  | Production and sale of electronic components and new alloy materials                               | -                          | 200,000           | N/A                             | -                       | -              | (105,560)                         | -                      |   |
| Walsin Singapore PTE. Ltd.                            | Changzhou Wujin NSL Co., Ltd.  | No. 280, Changhong Road (West), Wujin Economic & Technology Development Zone, Changzhou City, Jiangsu Province | Manufacture and sale of steel billets  | -                          | US\$ 110,000      | N/A                             | -                       | -              | (33,003)                          | (43,541)               |   |
|   | Changzhou China Steel Precision Materials Co., Ltd.  | No. 281, Changhong Road (West), Wujin Economic & Technology Development Zone, Changzhou City, Jiangsu Province | Melting and forging of nonferrous metallic materials and composites as well as new types of alloys | -                          | US\$ 13,080       | N/A                             | -                       | -              | 1,850                             | (80)                   |   |
| Changzhou Wujin NSL Co., Ltd.                         | Yantai Jin Cherg Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013) | No. 2 Wuzhishan Road. ETDZ Yantai City, Shantung Province, P.R.C.  | Production and sale of electronic components and new alloy materials                               | 278,826                    | 278,796           | N/A                             | 100.00                  | (100,859)      | (105,560)                         | (105,560)              |   |
|   | Yantai Huanghai Iron and Steel Co., Ltd.   | No. 2 Wuzhishan Road. ETDZ Yantai City, Shantung Province, P.R.C.  | Manufacture and sale of steel billets and wire rods  | 55,546                     | 3,750             | N/A                             | 75.00                   | 51,552         | (325)                             | (1,632)                | Investment loss included amortization of the difference between acquisition cost and equity in net assets on the acquisition date which amounted to RMB1,388 thousand |

Note 1: Amounts are stated in thousands of Renminbi and thousands of U.S. dollars as indicated.

Note 2: The amount included stock dividends of US\$4,500 thousand.

(Continued)

## 4. Information of investees that Chin-Cherng Construction Co. and subsidiaries have control ability or significant influence was as follows (in thousands of New Taiwan Dollars/Renminbi):

| Investor Company                      | Investee Company                             | Location   | Main Businesses and Products  | Original Investment Amount |                   | Balance as of December 31, 2013 |                         |                | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note |
|---------------------------------------|--|--|---|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|------------------------|------|
|                                       |  |  |   | December 31, 2013          | December 31, 2012 | Shares                          | Percentage of Ownership | Carrying Value |                                   |                        |      |
| Chin-Cherng Construction Co.          | Tahsio Construction Co., Ltd.                | 4F., No. 192, Jingye 1st Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)          | 1. Construction of building<br>2. Construction contracting for wood works and painting project<br>3. Construction contracting for ironware, water, electricity (utility) projects, and sanitary equipment | \$ 95,264                  | \$ 95,264         | 10,000,000                      | 100.00                  | \$ 18,303      | \$ 89,671                         | \$ 981                 |      |
|                                       | Joint Success Enterprises Limited            | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | Investments   | 1,265,603                  | 1,265,603         | 39,500,000                      | 50.95                   | 2,042,077      | (46,269)                          | (113,088)              |      |
|                                       | Dinghsin Development Co., Ltd.               | 5th Floor, 192 Jingye 1st Road, Jhongsan District, Taipei 104, Taiwan, R.O.C.            | Investment of real estate and related business  | 8,540                      | 8,540             | 2,119,200                       | 35.32                   | 56,980         | 40,026                            | 14,128                 |      |
|                                       | Concord II Venture Capital Co., Ltd.         | 11th Floor, 132 Min-Sheng East Road Sec. 3, Taipei 104, Taiwan, R.O.C.                   | Venture capital and consulting affairs  | 1,603                      | 1,603             | 172,342                         | 0.17                    | 1,670          | (10,658)                          | 92                     |      |
|                                       | Chin-Xin Investment Co., Ltd.                | 26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan                               | Investments   | 54,154                     | 54,154            | 3,264,092                       | 0.67                    | 41,642         | (955,944)                         | (6,405)                |      |
| Joint Success Enterprises Limited     | Walsin (Nanjing) Construction Limited        | 2nd Floor, 156 Dream, Jianye Distinct, Nanjing City, Jiangsu Province                    | Construction, rental and sale of buildings and industrial factories   | RMB 375,542                | RMB 375,542       | N/A                             | 100.00                  | RMB 651,923    | RMB (40,620)                      | RMB (40,620)           |      |
| Walsin (Nanjing) Construction Limited | Nanjing Walsin Property Management Co., Ltd. | No. 230, Hexi Avenue, Jianye Zone, Nanjing, Jiangsu                                      | Property management, business management and housing leasing  | RMB 1,000                  | -                 | N/A                             | 100.00                  | RMB -          | RMB (5,252)                       | RMB (5,252)            |      |

Note: Amounts are stated in thousands of N.T. dollars and thousands of Renminbi as indicated.

(Continued)

5. Information of investees that Walsin Info-Electric Corp. and subsidiaries have control ability or significant influence was as follows (in thousands of New Taiwan Dollars/Renminbi):

| Investor Company            | Investee Company                   | Location   | Main Businesses and Products   | Original Investment Amount |                   | Balance as of December 31, 2013 |                         |                | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note |
|-----------------------------|------------------------------------|--|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|------------------------|------|
|                             |                                    |  |  | December 31, 2013          | December 31, 2012 | Shares                          | Percentage of Ownership | Carrying Value |                                   |                        |      |
| Walsin Info-Electric Corp.  | Winbond Electronics Corp.          | No. 4, Yanxin 3rd Rd., East Dist., Hsinchu City 300, Taiwan (R.O.C.) | Research, development, production and sale of semiconductors and related components  | \$ -                       | \$ 1,589          | -                               | -                       | \$ -           | \$ 305,214                        | \$ -                   |      |
|                             | Huatong International Corp.        | Offshore Chambers, P.O. Box 217, Apia Samoa                          | Investments  | 38,361                     | 38,361            | 1,299,217                       | 100.00                  | 66,983         | 1,033                             | 1,033                  |      |
| Huatong International Corp. | Shanghai Walsin Info-electric Inc. | Room 2809, No. 2299, Yan'an West Road, Changning District, Shanghai  | Design of electrical and mechanical systems, management advisory services, and wholesale of electrical and mechanical devices and their components | RMB 8,219                  | RMB 8,219         | N/A                             | 100.00                  | RMB 13,700     | RMB 215                           | RMB 215                |      |

Note: Amounts are stated in thousands of N.T. dollars and thousands of Renminbi as indicated.

(Continued)

## 6. Information of investees that Energy Pilot Limited and subsidiaries have control ability or significant influence was as follows (in thousands of U.S. Dollars):

| Investor Company              | Investee Company               | Location   | Main Businesses and Products                                       | Original Investment Amount |                   | Balance as of December 31, 2013 |                         |                | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note |
|-------------------------------|--------------------------------|--|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|------------------------|------|
|                               |                                |  |  | December 31, 2013          | December 31, 2012 | Shares                          | Percentage of Ownership | Carrying Value |                                   |                        |      |
| Energy Pilot Limited          | Green Lake Capital, LLC.       | 1209 Orange Street, Wilmington, Delaware 19801               | Solar power business   | \$ 60,670                  | \$ 52,745         | N/A                             | 100.00                  | \$ 55,417      | \$ (1,342)                        | \$ (1,342)             |      |
| Green Lake Capital, LLC.      | GLC Development, LLC.          | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA   | Solar power project development                                    | 1,143                      | 495               | N/A                             | 99.00                   | 18,759         | 2,350                             | 2,350                  |      |
|                               | SDCCD Management, LLC.         | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA   | Solar power management business                                    | 2,440                      | 2,440             | N/A                             | 100.00                  | 2,586          | 43                                | 43                     |      |
|                               | GLC-(MA) Management, LLC.      | 205 Industrial Avenue East, Lowell, Massachusetts 01852, USA | Solar power systems design, operation and installation services    | 730                        | 815               | N/A                             | 100.00                  | 1,198          | 157                               | 157                    |      |
|                               | GLC Solar Management II, LLC.  | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA   | Solar power management business                                    | 5,532                      | 5,532             | N/A                             | 100.00                  | 5,722          | 63                                | 63                     |      |
|                               | GLC-(NJ) Management, LLC.      | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA   | Solar power management business                                    | 271                        | 271               | N/A                             | 100.00                  | 278            | 87                                | 87                     |      |
|                               | GLC Solar Management V, LLC.   | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA   | Solar power management business                                    | 8,639                      | 5,477             | N/A                             | 100.00                  | 8,807          | 69                                | 69                     |      |
|                               | GLC Solar Management VI, LLC.  | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA   | Solar power management business                                    | 10,868                     | 9,743             | N/A                             | 100.00                  | 11,234         | 275                               | 275                    |      |
|                               | GLC Solar Management VII, LLC. | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA   | Management business  | 18,995                     | 18,995            | N/A                             | 100.00                  | 19,160         | 156                               | 156                    |      |
|                               | Green Lake Exchange, LLC.      | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA   | Solar power related business                                       | 3,625                      | 113               | N/A                             | 100.00                  | 4,084          | 439                               | 439                    |      |
| SDCCD Management, LLC.        | GLC-(CA) SDCCD, LLC.           | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA   | Solarpower systems management, design, installation, and financing | 2,440                      | 2,440             | N/A                             | 98.00                   | 2,453          | 894                               | 894                    |      |
| GLC-(MA) Management, LLC.     | GLC-(MA) BCH, LLC.             | 205 Industrial Avenue East, Lowell, Massachusetts 01852, USA | Solarpower systems management, design, installation, and financing | 80                         | 110               | N/A                             | 100.00                  | 273            | 55                                | 55                     |      |
|                               | GLC-(MA) SHS, LLC.             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA   | Solarpower systems management, design, installation, and financing | 102                        | 117               | N/A                             | 100.00                  | 175            | 34                                | 34                     |      |
|                               | GLC-(MA) BBN, LLC.             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA   | Solarpower systems management, design, installation, and financing | 408                        | 448               | N/A                             | 100.00                  | 613            | 69                                | 69                     |      |
| GLC Solar Management II, LLC. | GLC Solar Fund II, LLC.        | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA   | Solar power management business                                    | 5,532                      | 4,172             | N/A                             | 98.00                   | 5,555          | 1,380                             | 1,380                  |      |
| GLC-(NJ) Management, LLC.     | GLC-(NJ) NACR 1, LLC.          | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA   | Solarpower systems management, design, installation, and financing | 271                        | 271               | N/A                             | 100.00                  | 292            | 93                                | 93                     |      |
| GLC Solar Management V, LLC.  | GLC Solar Fund V, LLC.         | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA   | Solar power management business                                    | 8,639                      | 5,477             | N/A                             | 98.00                   | 8,657          | 1,524                             | 1,524                  |      |

(Continued)

| Investor Company               | Investee Company           | Location   | Main Businesses and Products                                       | Original Investment Amount |                   | Balance as of December 31, 2013 |                         |                | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note |
|--------------------------------|----------------------------|--|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|------------------------|------|
|                                |                            |  |  | December 31, 2013          | December 31, 2012 | Shares                          | Percentage of Ownership | Carrying Value |                                   |                        |      |
| GLC Solar Management VI, LLC.  | GLC Solar Fund VI, LLC.    | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA | Solar power management business                                    | \$ 10,868                  | \$ 9,743          | N/A                             | 98.00                   | \$ 10,857      | \$ 176                            | \$ 176                 |      |
| GLC Solar Fund II, LLC.        | GLC-(CA) Vista, LLC.       | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA | Solarpower systems management, design, installation, and financing | 831                        | 831               | N/A                             | 100.00                  | 834            | 80                                | 80                     |      |
|                                | GLC-(CA) Helix, LLC.       | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA | Solarpower systems management, design, installation, and financing | 969                        | 969               | N/A                             | 100.00                  | 972            | 94                                | 94                     |      |
|                                | GLC-(CA) Madera, LLC.      | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA | Solarpower systems management, design, installation, and financing | 1,712                      | 1,712             | N/A                             | 100.00                  | 1,720          | 429                               | 429                    |      |
|                                | GLC-(CA) Z7 Water, LLC.    | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA | Solarpower systems management, design, installation, and financing | 1,189                      | 1,189             | N/A                             | 100.00                  | 1,193          | 165                               | 165                    |      |
|                                | GLC-(CA) Sierra, LLC.      | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA | Solarpower systems management, design, installation, and financing | 1,987                      | 1,987             | N/A                             | 100.00                  | 1,991          | 201                               | 201                    |      |
|                                | GLC-(CA) Aqua SD, LLC.     | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA | Solarpower systems management, design, installation, and financing | 5,794                      | 5,794             | N/A                             | 100.00                  | 5,804          | 485                               | 485                    |      |
| GLC Solar Fund V, LLC.         | GLC-(MA) Edwards, LLC.     | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA | Solarpower systems management, design, installation, and financing | 10,209                     | 10,209            | N/A                             | 100.00                  | 10,227         | 1,046                             | 1,046                  |      |
|                                | GLC-(NJ) NACR 2, LLC.      | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA | Solarpower systems management, design, installation, and financing | 1,211                      | 1,211             | N/A                             | 100.00                  | 1,214          | 314                               | 314                    |      |
|                                | GLC-(MA) Easthampton, LLC. | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA | Solarpower systems management, design, installation, and financing | 2,855                      | 2,855             | N/A                             | 100.00                  | 2,853          | (39)                              | (39)                   |      |
|                                | GLC-(MA) Mashpee, LLC.     | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA | Solarpower systems management, design, installation, and financing | 1,099                      | 1,099             | N/A                             | 100.00                  | 1,099          | 39                                | 39                     |      |
|                                | GLC-(CA) SCC, LLC.         | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA | Solarpower systems management, design, installation, and financing | 1,166                      | 1,166             | N/A                             | 100.00                  | 1,171          | 259                               | 259                    |      |
| GLC Solar Fund VI, LLC.        | GLC-(CA) CSD 1, LLC.       | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA | Solar power management business                                    | 4,817                      | 1,421             | N/A                             | 100.00                  | 4,821          | 404                               | 404                    |      |
|                                | GLC-(CA) CSD 2, LLC.       | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA | Solar power management business                                    | 8,091                      | -                 | N/A                             | 100.00                  | 8,089          | (200)                             | (200)                  |      |
|                                | GLC-(MA) Acushnet, LLC.    | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA | Solar power management business                                    | 12,724                     | 12,724            | N/A                             | 100.00                  | 12,723         | 167                               | 167                    |      |
|                                | GLC-(CA) Morgan Hill, LLC. | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA | Solar power management business                                    | 1,480                      | 1,455             | N/A                             | 100.00                  | 1,482          | 174                               | 174                    |      |
| GLC Solar Management VII, LLC. | GLC Solar Fund VII, LLC.   | 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA | Solar power management business                                    | 11,409                     | 11,409            | N/A                             | 40.00                   | 11,400         | (21)                              | (9)                    |      |

(Continued)

7. Information of investees that Market Pilot Limited has control ability or significant influence was as follows (in thousands of Renminbi):

| Investor Company     | Investee Company                        | Location   | Main Businesses and Products  | Original Investment Amount |                   | Balance as of December 31, 2013 |                         |                | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note |
|----------------------|---|--|-------------------------------|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|------------------------|------|
|                      |   |  |                               | December 31, 2013          | December 31, 2012 | Shares                          | Percentage of Ownership | Carrying Value |                                   |                        |      |
| Market Pilot Limited | XiAn Walsin United Technology Co., Ltd. | No. 15, Shanglinyuan First Road, Hi-and-New Tech Park of Xian, Shaanxi | Electronic devices and module | \$ 642,719                 | \$ 642,719        | N/A                             | 100.00                  | \$ 135,021     | \$ (418,153)                      | \$ (418,153)           |      |

(Concluded)

TABLE 8

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

## INFORMATION ON INVESTMENT IN MAINLAND CHINA

DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars/U.S. Dollars or Renminbi)

## A. Walsin Lihwa Corporation

1. The names of investee companies in Mainland China, main businesses and products, total amount of paid-in capital, investment type, investment flows, percentage of ownership in investment, investment gain or loss, carrying value, accumulated inward remittance of earnings and upper limit on investment in Mainland China were as follows:

| Investee Company                                      | Main Businesses and Products                         | Total Amount of Paid-in Capital        | Investment Type (Note 1) | Accumulated Outflow of Investment from Taiwan as of January 1, 2013 | Investment Flows |                          | Accumulated Outflow of Investment from Taiwan as of December 31, 2013 | Percentage of Ownership in Investment | Investment Gain (Loss) (Note 19) | Carrying Value as of December 31, 2013 | Accumulated Inward Remittance of Earnings as of December 31, 2013 |
|---|--|--|--------------------------|---|------------------|--------------------------|---|---------------------------------------|----------------------------------|--|---|
|   |  |  |                          |   | Outflow          | Inflow                   |   |                                       |                                  |  |   |
| Jiangyin Walsin Steel Cable Co., Ltd.                 | Manufacture and sale of steel cables and wires       | \$ 596,100<br>(US\$ 20,000)            | c                        | \$ 447,075<br>(US\$ 15,000)<br>(Note 2)                             | \$ -<br>-        | \$ -<br>-                | \$ 447,075<br>(US\$ 15,000)<br>(Note 2)                               | 75.00                                 | \$ 385,710<br>(RMB 80,404)       | \$ 910,931<br>(RMB 186,337)            | \$ -  |
| Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.    | Manufacture and sale of cables and wires             | 465,763<br>(US\$ 15,627)               | c                        | 445,764<br>(US\$ 14,956)<br>(Note 3)                                | -<br>-           | -<br>-                   | 445,764<br>(US\$ 14,956)<br>(Note 3)                                  | 95.71                                 | 52,068<br>(RMB 10,854)           | 918,044<br>(RMB 187,792)               | -   |
| Hangzhou Walsin Power Cable & Wire Co., Ltd.          | Manufacture and sale of cables and wires             | 1,385,336<br>(US\$ 46,480)             | c                        | 1,228,264<br>(US\$ 41,210)<br>(Note 4)                              | -<br>-           | -<br>-                   | 1,228,264<br>(US\$ 41,210)<br>(Note 4)                                | 89.78                                 | (478,866)<br>(RMB -99,823)       | (98,775)<br>(RMB -20,205)              | -   |
| Walsin (China) Investment Co., Ltd.                   | Investments  | 2,342,673<br>(US\$ 78,600)             | c                        | 2,342,673<br>(US\$ 78,600)<br>(Note 5)                              | -<br>-           | -<br>-                   | 2,342,673<br>(US\$ 78,600)<br>(Note 5)                                | 100.00                                | 106,482<br>(RMB 22,197)          | 3,080,461<br>(RMB 630,129)             | -   |
| Changshu Walsin Specialty Steel Co., Ltd.             | Manufacture and sale of specialized steel tubes      | 2,891,085<br>(US\$ 97,000)             | c                        | 2,891,085<br>(US\$ 97,000)<br>(Note 6)                              | -<br>-           | -<br>-                   | 2,891,085<br>(US\$ 97,000)<br>(Note 6)                                | 100.00                                | 313,369<br>(RMB 65,324)          | 2,659,517<br>(RMB 544,022)             | -   |
| Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. | Manufacture and sale of stainless steel              | 1,162,395<br>(US\$ 39,000)             | c                        | 1,162,395<br>(US\$ 39,000)<br>(Note 7)                              | -<br>-           | -<br>-                   | 1,162,395<br>(US\$ 39,000)<br>(Note 7)                                | 100.00                                | (180,248)<br>(RMB -37,574)       | (403,785)<br>(RMB -82,597)             | -   |
| Dongguan Walsin Wire & Cable Co., Ltd.                | Manufacture and sale of bare copper cables and wires | 774,930<br>(US\$ 26,000)               | c                        | 774,930<br>(US\$ 26,000)<br>(Note 8)                                | -<br>-           | -<br>-                   | 774,930<br>(US\$ 26,000)<br>(Note 8)                                  | 100.00                                | 91,285<br>(RMB 19,029)           | 1,888,655<br>(RMB 386,337)             | -   |
| Jiangyin Yuantai Stainless Steel Products Co., Ltd.   | Manufacture and sale of strained stainless steel     | -<br>US\$ -                            | c                        | 251,435<br>(US\$ 8,436)   | -<br>-           | 302,461<br>(US\$ 10,148) | (51,026)<br>(US\$ -1,712)   | -                                     | 17,783<br>(RMB 3,707)            | -<br>RMB -                             | 302,461<br>(US\$ 10,148)  |
| Nanjing Walsin Metal Co., Ltd.                        | New copper metal material                            | 2,420,166<br>(US\$ 81,200)<br>(Note 9) | c                        | 1,810,892<br>(US\$ 60,758)<br>(Note 10)                             | -<br>-           | -<br>-                   | 1,810,892<br>(US\$ 60,758)<br>(Note 10)                               | 78.26                                 | 258,221<br>(RMB 53,828)          | 3,910,818<br>(RMB 799,984)             | -   |
| Jiangyin Walsin Precision Metal Technology Co., Ltd.  | Precision alloy wire                                 | 1,460,445<br>(US\$ 49,000)             | c                        | 1,460,445<br>(US\$ 49,000)<br>(Note 11)                             | -<br>-           | -<br>-                   | 1,460,445<br>(US\$ 49,000)<br>(Note 11)                               | 100.00                                | 120,855<br>(RMB 25,193)          | 1,527,738<br>(RMB 313,509)             | -   |

(Continued)

| Investee Company  | Main Businesses and Products   | Total Amount of Paid-in Capital         | Investment Type (Note 1) | Accumulated Outflow of Investment from Taiwan as of January 1, 2013 | Investment Flows           |           | Accumulated Outflow of Investment from Taiwan as of December 31, 2013 | Percentage of Ownership in Investment | Investment Gain (Loss) (Note 19) | Carrying Value as of December 31, 2013 | Accumulated Inward Remittance of Earnings as of December 31, 2013 |
|---|--|---|--------------------------|---|----------------------------|-----------|---|---------------------------------------|----------------------------------|--|---|
|   |  |   |                          |   | Outflow                    | Inflow    |   |                                       |                                  |  |   |
| Changzhou Wujin NSL Co., Ltd.   | Manufacture and sale of steel billets  | \$ 3,278,550<br>(US\$ 110,000)          | c                        | \$ 3,216,743<br>(US\$ 107,933)                                      | \$ -<br>-                  | \$ -<br>- | \$ 3,216,743<br>(US\$ 107,933)  | 100.00                                | \$ (158,320)<br>(RMB -33,003)    | \$ 2,139,759<br>(RMB 437,702)          | \$ -  |
| Dongguan HannStar Electronics Co., Ltd.   | Manufacture and sale of wires and cables   | 286,128<br>(US\$ 9,600)                 | c                        | 64,587<br>(US\$ 2,167)<br>(Note 12)                                 | -<br>-                     | -<br>-    | 64,587<br>(US\$ 2,167)<br>(Note 12)                                   | 100.00                                | (72,730)<br>(RMB -15,161)        | 226,446<br>(RMB 46,321)                | -   |
| XiAn Walsin Metal Product Co., Ltd.   | Manufacture and sale of specialized stainless steel plates   | 298,050<br>(US\$ 10,000)                | c                        | 298,050<br>(US\$ 10,000)  | -<br>-                     | -<br>-    | 298,050<br>(US\$ 10,000)  | 100.00                                | (284,625)<br>(RMB -59,332)       | (761,838)<br>(RMB -155,839)            | -   |
| Yantai Jin Cherng Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013) | Production and sale of electronic components and new alloy materials                               | 2,829,514<br>(RMB 578,796)<br>(Note 13) | c                        | -<br>-  | -<br>-                     | -<br>-    | -<br>US\$ -   | 100.00                                | (506,387)<br>(RMB -105,560)      | (493,061)<br>(RMB -100,859)            | -   |
| Yantai Dazhong Recycling Resource Co., Ltd.   | Recycling and manufacture of steel   | 894,150<br>(US\$ 30,000)                | c                        | 894,150<br>(US\$ 30,000)  | -<br>-                     | -<br>-    | 894,150<br>(US\$ 30,000)  | 100.00                                | 1,430<br>(RMB 298)               | 940,688<br>(RMB 192,424)               | -   |
| Walsin Lihwa (Changzhou) Investment Co., Ltd.   | Commerce and investments   | 1,460,445<br>(US\$ 49,000)              | c                        | -<br>US\$ -   | 1,460,445<br>(US\$ 49,000) | -<br>-    | 1,460,445<br>(US\$ 49,000)  | 100.00                                | (4,394)<br>(RMB -916)            | 1,460,465<br>(RMB 298,748)             | -   |
| Wuxi Xingcheng Walsin Steel Products Co. Ltd.   | Manufacture and sale of stainless steel  | 1,329,303<br>(US\$ 44,600)              | c                        | -<br>US\$ -   | 1,218,935<br>(US\$ 40,897) | -<br>-    | 1,218,935<br>(US\$ 40,897)  | 50.00                                 | (6,049)<br>(RMB -1,261)          | 1,220,009<br>(RMB 249,561)             | -   |
| Changzhou China Steel Precision Materials Co., Ltd.   | Melting and forging of nonferrous metallic materials and composites as well as new types of alloys | 1,299,498<br>(US\$ 43,600)              | c                        | 389,849<br>(US\$ 13,080)  | -<br>-                     | -<br>-    | 389,849<br>(US\$ 13,080)  | 30.00                                 | 3,046<br>(RMB 635)               | 365,903<br>(RMB 74,848)                | 909,649<br>(US\$ 30,520)  |
| XiAn Walsin United Technology Co., Ltd.   | Electronic devices and module  | 2,977,520<br>(US\$ 99,900)              | c                        | 2,979,248<br>(US\$ 99,958)  | -<br>-                     | -<br>-    | 2,979,248<br>(US\$ 99,958)  | 100.00                                | (2,005,943)<br>(RMB -418,153)    | 660,066<br>(RMB 135,021)               | -   |
| Nanjing Walsin Expo Exhibition Ltd.   | Exhibition and conference organizing service   | 13,084<br>(US\$ 439)                    | c                        | 7,898<br>(US\$ 265)   | -<br>-                     | -<br>-    | 7,898<br>(US\$ 265)   | 60.00                                 | (1,257)<br>(RMB -262)            | 2,425<br>(RMB 496)                     | -   |
| Yantai Huanghai Iron and Steel Co., Ltd.  | Manufacture and sale of steel billets and wire rods  | 1,006,518<br>(RMB 205,890)<br>(Note 14) | c                        | 87,239<br>(US\$ 2,927)  | -<br>-                     | -<br>-    | 87,239<br>(US\$ 2,927)  | 100.00                                | (9,748)<br>(RMB -2,032)          | 336,029<br>(RMB 68,737)                | -   |
| Nanjing Taiwan Trade Mart Management Co., Ltd.  | Business and asset management, consulting and advertising services                                 | 29,805<br>(US\$ 1,000)                  | c                        | 29,805<br>(US\$ 1,000)  | -<br>-                     | -<br>-    | 29,805<br>(US\$ 1,000)  | 100.00                                | (210,926)<br>(RMB -43,969)       | (763,998)<br>(RMB -156,281)            | -   |
| XiAn Lv Jing Technology Co., Ltd.   | Solar Module Assembly  | 1,347,186<br>(US\$ 45,200)              | d                        | 596,100<br>(US\$ 20,000)  | -<br>-                     | -<br>-    | 596,100<br>(US\$ 20,000)  | 100.00                                | (13,317)<br>(RMB -2,776)         | 777,936<br>(RMB 159,132)               | -   |
| Shaanxi Tianhong Silicon Industrial Corporation   | Polysilicon Production   | 5,866,344<br>(RMB 1,200,000)            | d                        | -<br>US\$ -   | -<br>-                     | -<br>-    | -<br>US\$ -   | 19.00                                 | -<br>RMB -                       | 655,075<br>(RMB 134,000)<br>(Note 15)  | -   |
| Xian Walsin Opto-electronic Limited   | LED, micro projector, and solar cell assembly  | 4,471<br>(US\$ 150)                     | c                        | 4,471<br>(US\$ 150)   | -<br>-                     | -<br>-    | 4,471<br>(US\$ 150)   | 100.00                                | (46,681)<br>(RMB -9,731)         | (137,297)<br>(RMB -28,085)             | -   |
| Jiangsu Taiwan Trade Mart Development Co., Ltd.   | Development and management of Nanjing Taiwan Trade Mart Management Co., Ltd.                       | 48,886<br>(RMB 10,000)                  | c                        | 9,061<br>(US\$ 304)   | -<br>-                     | -<br>-    | 9,061<br>(US\$ 304)   | 20.00                                 | (72)<br>(RMB -15)                | 9,748<br>(RMB 1,994)                   | -   |

(Continued)



| Investee Company                             | Main Businesses and Products  | Total Amount of Paid-in Capital | Investment Type (Note 1) | Accumulated Outflow of Investment from Taiwan as of January 1, 2013 | Investment Flows |           | Accumulated Outflow of Investment from Taiwan as of December 31, 2013 | Percentage of Ownership in Investment | Investment Gain (Loss) (Note 19) | Carrying Value as of December 31, 2013 | Accumulated Inward Remittance of Earnings as of December 31, 2013 |
|--|---|---------------------------------|--------------------------|---|------------------|-----------|---|---------------------------------------|----------------------------------|--|---|
|  |   |                                 |                          |   | Outflow          | Inflow    |   |                                       |                                  |  |   |
| Shaanxi Optoelectronics Technology Co., Ltd. | Communication equipment and electronic components                   | \$ 488,862<br>(RMB 100,000)     | c                        | \$ -<br>US\$ -  | \$ -<br>-        | \$ -<br>- | \$ -<br>US\$ -  | 19.00                                 | \$ -<br>RMB -                    | \$ 92,884<br>(RMB 19,000)              | \$ -  |
| Glory Sky Limited                            | LED R&D, manufacture and marketing & Sales                          | 97,772<br>(RMB 20,000)          | c                        | -<br>RMB -  | -<br>-           | -<br>-    | -<br>RMB -  | 10.00                                 | -<br>RMB -                       | 97,772<br>(RMB 20,000)                 | -   |
| Walsin (Nanjing) Construction Limited        | Construction, rental and sale of buildings and industrial factories | 1,835,882<br>(RMB 375,542)      | d                        | 1,835,882<br>(RMB 375,542)<br>(Note 16)                             | -<br>-           | -<br>-    | 1,835,882<br>(RMB 375,542)<br>(Note 16)                               | 99.54                                 | (193,968)<br>(RMB -40,433)       | 3,172,343<br>(RMB 648,924)             | -   |
| Nanjing Walsin Property Management Co., Ltd. | Property management, business management and housing leasing        | 4,889<br>(RMB 1,000)            | c                        | -<br>RMB -  | -<br>-           | -<br>-    | -<br>RMB -  | 99.54                                 | (25,080)<br>(RMB -5,228)         | -<br>RMB -                             | -   |

2. The upper limit on investment of the Company in Mainland China was as follows:

| Accumulated Investment in Mainland China as of December 31, 2013<br>(NT\$ and US\$ in Thousands) | Investment Amounts Authorized by Investment Commission, MOEA<br>(NT\$ and US\$ in Thousands) | Upper Limit on Investment<br>(NT\$ in Thousands) |
|--|--|--|
| \$ 24,388,686<br>(US\$ 818,275)  | \$ 25,400,805<br>(US\$ 852,233)  | N/A (Note 20)                                    |

Note:

1. Investments can be classified into five types as follows:

- a. Investing in companies in China by remitting the capital from the area other than Taiwan and China.
- b. Establishing new companies in areas other than Taiwan and China and investing in companies in China through the newly established companies.
- c. Investing in companies in China through companies already established and existing in areas other than Taiwan and China.
- d. Others: e.g. Investments by trust.

2. Including US\$4,500 thousand investment through Walsin (China) Investment Co., Ltd.

3. Including US\$4,929 thousand investment through Walsin (China) Investment Co., Ltd.

4. Including US\$2,800 thousand investment through Walsin (China) Investment Co., Ltd., and US\$22,730 thousand dividends appropriated from Dongguan Walsin Wire & Cable Co., Ltd., Jiangying Walsin Steel Cable Co., Ltd., Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. and Hangzhou Walsin Power Cable & Wire Co., Ltd.

5. Capital investment of US\$28,600 thousand was contributed from the accounts payable of Walsin (China) Investment Co., Ltd. to Walsin Lihwa Holdings Limited.

6. Including US\$8,000 thousand investment through Walsin Specialty Steel Corp. and US\$42,000 thousand dividends appropriated from Changshu Walsin Specialty Steel Co., Ltd. and Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.

7. Including US\$4,800 thousand investment through Walsin (China) Investment.

8. Investment through Walsin (China) Investment.

9. Including US\$3,500 thousand revaluation increment of assets.

(Continued)

10. By the dividends of US\$43,521 thousand appropriated from Nanjing Walsin Photoelectric Co., Ltd. to Renowned International Limited and the dividends of US\$300 thousand appropriated from Jiangyin Walsin Steel Cable Co., Ltd. to Walsin (China) Investment Co., Ltd.
11. By own capital of Walsin (China) Investment Co., Ltd. US\$9,000 thousand.
12. Disbursed to purchase 100% of shares equity from original stockholder.
13. By own capital of RMB578,796 of Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd., Changzhou Wujin NSL Co., Ltd. and Changshu Walsin Specialty Steel Co., Ltd.
14. Including RMB2,500 thousand investments made through Changzhou Wujin NSL Co., Ltd.
15. The amount included Walsin Lihwa Holdings purchase of Lead Hero Limited equity at purchase cost of US\$1 and indirectly through Shaanxi Tianhong Silicon Industrial Corporation with carrying value RMB168,000 thousand, and by own capital of RMB60,000 thousand of XiAn Lv Jing Technology Co., Ltd. And the amount was adjusted by own capital of XiAn Lv Jing Technology Co., Ltd. of RMB228,000 thousand and by the fair value.
16. The amount included investment through Joint Success Enterprise Limited approved in the previous years.
17. Amounts are stated in thousands of N.T. dollars and Renminbi and U.S. dollars as indicated.
18. The currency exchange rates as of December 31, 2013 were as follows: US\$ to NT\$= 1:29.805, RMB to NT\$= 1:4.88862. The average exchange rate as of December 31, 2013 were as follows: US\$ to NT\$= 1:29.689, RMB to NT\$= 1:4.79715.
19. Amount was recognized based on the audited financial statements.
20. Upper limit on investment:

The Company had been approved as operation headquarters by Industrial Development Bureau, Ministry of Economic Affairs, thus exempted from the related regulations of "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China".

3. Significant direct or indirect transactions between the Company and investees in Mainland China

(In Thousands of New Taiwan Dollars)

| Related Party   | Nature of Relationship           | Transaction Type | Amount       | % to Total | Transaction terms   |   |                                 | Notes/Accounts Payable or Receivable |            | Unrealized Loss |
|---|----------------------------------|------------------|--------------|------------|---|---|---------------------------------|--------------------------------------|------------|-----------------|
|   |                                  |                  |              |            | Unit Price  | Payment Terms   | Compare to General Transactions | Ending Balance                       | % to Total |                 |
| Changshu Walsin Specialty Steel Co., Ltd.             | 100% indirectly owned subsidiary | Sales            | \$ (734,594) | (1)        | The price and payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers. | The price and payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers. | Similar                         | \$ 58,406                            | 2          | \$ (8,770)      |
| Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. | "                                | "                | (956,688)    | (2)        | "   | "   | "                               | 273,385                              | 11         | (8,339)         |
| Walsin Precision Technology Sdn. Bhd                  | "                                | "                | (455,985)    | (1)        | "   | "   | "                               | 21,143                               | 1          | -               |
| Jiangyin Walsin Specialty Alloy Materials Co., Ltd.   | "                                | "                | (205,490)    | -          | "   | "   | "                               | 40,641                               | 2          | (3,008)         |
| Walsin Lihwa Holdings Limited                         | Subsidiary                       | "                | (2,586,741)  | (4)        | "   | "   | "                               | 319,725                              | 13         | -               |

(Continued)

B. Chin-Cherng Construction Co.

1. The names of investee companies in Mainland China, main businesses and products, total amount of paid-in capital, investment type, investment flows, percentage of ownership in investment, investment gain or loss, carrying value, accumulated inward remittance of earnings and upper limit on investment in Mainland China were as follows:

(In Thousand of Renminbi)

| Investee Company                             | Main Businesses and Products  | Total Amount of Paid-in Capital | Investment Type | Accumulated Outflow of Investment from Taiwan as of January 1, 2013 | Investment Flows |        | Accumulated Outflow of Investment from Taiwan as of December 31, 2013 | Percentage of Ownership in Investment | Investment Gain (Loss) (Note 3) | Carrying Value as of December 31, 2013 | Accumulated Inward Remittance of Earnings as of December 31, 2013 |
|--|---|---------------------------------|-----------------|---|------------------|--------|---|---------------------------------------|---------------------------------|--|---|
|  |   |                                 |                 |   | Outflow          | Inflow |   |                                       |                                 |  |   |
| Walsin (Nanjing) Construction Limited        | Construction, rental and sale of buildings and industrial factories | \$375,542                       | Note 1          | \$375,542   | \$ -             | \$ -   | \$375,542   | 50.95                                 | \$ (20,696)                     | \$332,155                              | \$ -  |
| Nanjing Walsin Property Management Co., Ltd. | Property management, business management and housing leasing        | 1,000                           | Note 2          | -   | -                | -      | -   | 50.95                                 | (2,676)                         | -                                      | -   |

2. The upper limit on investment in Mainland China

| Accumulated Investment in Mainland China as of December 31, 2013 (RMB in Thousands) | Investment Amounts Authorized by Investment Commission, MOEA (RMB in Thousands) | Upper Limit on Investment (NT\$ in Thousands) |
|---|---|---|
| RMB375,542  | RMB375,542  | NT\$1,820,288 (Note 4)                        |

The investment schemes were as follows:

Note 1: Establishing new companies in the area other than Taiwan and China and investing in companies in China through the newly established companies.

Note 2: Investing in companies in China through the companies already established and existing in the areas other than Taiwan and China.

Note 3: Amount was recognized based on the audited financial statements.

Note 4: The upper limit on investment in Mainland China was as follows:

$$\text{NT\$}3,033,814 \text{ thousand} \times 60\% = \text{NT\$}1,820,288 \text{ thousand}$$

(Continued)

## C. Walsin Info-Electric Corp.

1. The name of investee company in Mainland China, main businesses and products, total amount of paid-in capital, investment type, investment flows, percentage of ownership in investment, investment gain or loss, carrying value, accumulated inward remittance of earnings and upper limit on investment in Mainland China were as follows:

(In Thousands of Renminbi)

| Investee Company                   | Main Businesses and Products   | Total Amount of Paid-in Capital | Investment Type | Accumulated Outflow of Investment from Taiwan as of January 1, 2013 | Investment Flows |        | Accumulated Outflow of Investment from Taiwan as of December 31, 2013 | Percentage of Ownership in Investment | Investment Gain (Loss) (Note 2) | Carrying Value as of December 31, 2013 | Accumulated Inward Remittance of Earnings as of December 31, 2013 |
|------------------------------------|--|---------------------------------|-----------------|---|------------------|--------|---|---------------------------------------|---------------------------------|--|---|
|                                    |  |                                 |                 |   | Outflow          | Inflow |   |                                       |                                 |  |   |
| Shanghai Walsin Info-electric Inc. | Design of electrical and mechanical engineering, management advisory services and wholesale of electrical and mechanical facilities and its components | \$ 8,200                        | Note 1          | \$ 8,200  | \$ -             | \$ -   | \$ 8,200  | 100.00                                | \$ 215                          | \$ 13,700                              | \$ -  |

2. The upper limit on investment in Mainland China

| Accumulated Investment in Mainland China as of December 31, 2013 (RMB in Thousands) | Investment Amounts Authorized by Investment Commission, MOEA (RMB in Thousands) | Upper Limit on Investment (NT\$ in Thousands) |
|---|---|---|
| RMB8,219  | RMB8,219  | NT\$188,997 (Note 3)                          |

The investment schemes were as follows:

Note 1: Establishing new companies in the area other than Taiwan and China and investing in companies in China through the newly established companies.

Note 2: Amount was recognized based on the audited financial statements.

Note 3: The upper limit on investment in Mainland China was as follows:

$$\text{NT\$}314,995 \text{ thousand} \times 60\% = \text{NT\$}188,997 \text{ thousand}$$

(Concluded)

TABLE 9

## WALSIN LIHWA CORPORATION AND INVESTEEES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
 YEARS ENDED DECEMBER 31, 2013 AND 2012  
 (In Thousands of New Taiwan Dollars or U.S. Dollars or Renminbi)

| No.   | Company Name                  | Related Party  | Nature of Relationship   | Transaction Details         |               |   |  |
|-------|-------------------------------|--|--|-----------------------------|---------------|---|--|
|       |                               |  |  | Financial Statement Account | Amount        | Terms   | Percentage of Consolidated Total Gross Sales or Total Assets |
| 0     | Walsin Lihwa Corporation      | Changshu Walsin Specialty Steel Co., Ltd.<br>Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.<br>Walsin Lihwa Holding Limited<br>Walsin Precision Technology Sdn. Bhd.<br>Jiangyin Walsin Specialty Alloy Materials Co., Ltd.<br>Changshu Walsin Specialty Steel Co., Ltd.<br>Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.<br>Walsin Lihwa Holding Limited<br>Walsin Precision Technology Sdn. Bhd.<br>Jiangyin Walsin Specialty Alloy Materials Co., Ltd. | Transactions between parent company and subsidiaries<br>Transactions between parent company and subsidiaries<br>Transactions between parent company and subsidiaries<br>Transactions between parent company and subsidiaries<br>Transactions between parent company and subsidiaries<br>Transactions between parent company and subsidiaries<br>Transactions between parent company and subsidiaries<br>Transactions between parent company and subsidiaries<br>Transactions between parent company and subsidiaries<br>Transactions between parent company and subsidiaries | Trade receivables           | \$ 58,406     | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|       |                               |  |  | Trade receivables           | 276,385       | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|       |                               |  |  | Trade receivables           | 319,725       | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|       |                               |  |  | Trade receivables           | 21,143        | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|       |                               |  |  | Trade receivables           | 40,641        | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|       |                               |  |  | Sales                       | 734,594       | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |
|       |                               |  |  | Sales                       | 956,688       | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |
|       |                               |  |  | Sales                       | 2,586,741     | The terms are set by quotations on the local market, and are similar to those of general customers. | 2  |
|       |                               |  |  | Sales                       | 455,985       | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
| Sales | 205,490                       | The terms are set by quotations on the local market, and are similar to those of general customers.  | -  |                             |               |   |  |
| 1     | Walsin Lihwa Holdings Limited | Nanjing Walsin Metal Co., Ltd.<br>Dongguan Walsin Wire & Cable Co., Ltd.<br>Yantai Jin Cheng Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013)<br>Walsin (China) Investment Co., Ltd.<br>Jiangyin Walsin Steel Cable Co., Ltd.   | Transactions between parent company and subsidiaries<br>Transactions between parent company and subsidiaries<br>Transactions between subsidiaries<br>Transactions between parent company and subsidiaries<br>Transactions between parent company and subsidiaries  | Trade receivables           | RMB 507,607   | The terms are set by quotations on the local market, and are similar to those of general customers. | 2  |
|       |                               |  |  | Trade receivables           | RMB 1,792,411 | The terms are set by quotations on the local market, and are similar to those of general customers. | 8  |
|       |                               |  |  | Trade receivables           | RMB 164,148   | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |
|       |                               |  |  | Other receivables           | RMB 407,938   | Based on capital demand   | 2  |
|       |                               |  |  | Other receivables           | US\$ 10,185   | Based on capital demand   | -  |

(Continued)

| No. | Company Name  | Related Party   | Nature of Relationship                               | Transaction Details         |               |   |  |
|-----|---|---|--|-----------------------------|---------------|---|--|
|     |   |   |  | Financial Statement Account | Amount        | Terms   | Percentage of Consolidated Total Gross Sales or Total Assets |
|     |   | Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.  | Transactions between parent company and subsidiaries | Other receivables           | US\$ 9,166    | Based on capital demand   | -  |
|     |   | XiAn Walsin United Technology Co., Ltd.   | Transactions between subsidiaries                    | Other receivables           | US\$ 27,172   | Based on capital demand   | 1  |
|     |   | Dongguan Walsin Wire & Cable Co., Ltd.  | Transactions between parent company and subsidiaries | Sales                       | RMB 1,945,450 | The terms are set by quotations on the local market, and are similar to those of general customers. | 6  |
|     |   | Nanjing Walsin Metal Co., Ltd.  | Transactions between parent company and subsidiaries | Sales                       | RMB 502,755   | The terms are set by quotations on the local market, and are similar to those of general customers. | 2  |
|     |   | Yantai Jin Cherng Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013) | Transactions between subsidiaries                    | Sales                       | RMB 177,833   | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |
| 2   | Nanjing Walsin Metal Co., Ltd.  | Hangzhou Walsin Power Cable & Wire Co., Ltd.  | Transactions between subsidiaries                    | Sales                       | RMB 243,561   | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |
|     |   | Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.  | Transactions between subsidiaries                    | Sales                       | RMB 598,785   | The terms are set by quotations on the local market, and are similar to those of general customers. | 2  |
|     |   | Hangzhou Walsin Power Cable & Wire Co., Ltd.  | Transactions between subsidiaries                    | Trade receivables           | RMB 8,612     | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |   | Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.  | Transactions between subsidiaries                    | Trade receivables           | RMB 11,598    | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
| 3   | Concord Industries Limited  | Jiangyin Walsin Specialty Alloy Materials Co., Ltd.   | Transactions between parent company and subsidiaries | Trade receivables           | RMB 404       | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |   | Jiangyin Walsin Specialty Alloy Materials Co., Ltd.   | Transactions between parent company and subsidiaries | Sales                       | RMB 28,384    | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |   | Jiangyin Walsin Specialty Alloy Materials Co., Ltd.   | Transactions between parent company and subsidiaries | Other receivables           | US\$ 35,665   | Based on capital demand   | 1  |
| 4   | Walsin Specialty Steel Corp.  | Changshu Walsin Specialty Steel Co., Ltd.   | Transactions between parent company and subsidiaries | Other receivables           | US\$ 48,131   | Based on capital demand   | 1  |
| 5   | Joint Success Enterprise Limited  | Walsin (Nanjing) Construction Limited   | Transactions between parent company and subsidiaries | Other receivables           | RMB 164,492   | Based on capital demand   | 1  |
|     |   | Walsin Lihwa Holdings Limited   | Transactions between parent company and subsidiaries | Other receivables           | RMB 8,536     | Based on capital demand   | -  |
| 6   | Walsin (China) Investment Co., Ltd.   | Walsin Lihwa Holdings Limited   | Transactions between subsidiaries and parent company | Other receivables           | US\$ 4,900    | Based on capital demand   | -  |
| 7   | Yantai Jin Cherng Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013) | Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.   | Transactions between subsidiaries                    | Sales                       | RMB 1,167,514 | The terms are set by quotations on the local market, and are similar to those of general customers. | 4  |
|     |   | Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.   | Transactions between subsidiaries                    | Trade receivables           | RMB 111,961   | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |

(Continued)

| No. | Company Name  | Related Party   | Nature of Relationship                               | Transaction Details         |             |   |  |
|-----|---|---|--|-----------------------------|-------------|---|--|
|     |   |   |  | Financial Statement Account | Amount      | Terms   | Percentage of Consolidated Total Gross Sales or Total Assets |
| 8   | Yantai Dazhong Recycling Resource Co., Ltd.           | Yantai Jin Cherng Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013) | Transactions between subsidiaries                    | Sales                       | RMB 200,381 | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |
|     |   | Yantai Jin Cherng Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013) | Transactions between subsidiaries                    | Trade receivables           | RMB 234,446 | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |
| 9   | Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. | Changshu Walsin Specialty Steel Co., Ltd.   | Transactions between subsidiaries                    | Sales                       | RMB 210,903 | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |
|     |   | Changshu Walsin Specialty Steel Co., Ltd.   | Transactions between subsidiaries                    | Trade receivables           | RMB 26,780  | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |   | Jiangyin Walsin Specialty Alloy Materials Co., Ltd.   | Transactions between subsidiaries                    | Sales                       | RMB 108,707 | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |   | Concord Industries Limited  | Transactions between subsidiaries and parent company | Sale                        | RMB 28,702  | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |   | Concord Industries Limited  | Transactions between subsidiaries and parent company | Trade receivable            | RMB 404     | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
| 10  | Yantai Huanghai Iron and Steel Co., Ltd.              | Yantai Jin Cherng Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013) | Transactions between subsidiaries                    | Sales                       | RMB 53,822  | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |   | Yantai Jin Cherng Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013) | Transactions between subsidiaries                    | Trade receivables           | RMB 62,971  | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
| 11  | Walsin Singapore PTE. Ltd.                            | Concord Industries Limited  | Transactions between parent company and subsidiaries | Other receivable            | RMB 504,486 | The terms are set by quotations on the local market, and are similar to those of general customers. | 2  |
| 0   | <u>2012</u><br>Walsin Lihwa Corporation               | Changshu Walsin Specialty Steel Co., Ltd.   | Transactions between parent company and subsidiaries | Accounts receivable         | \$ 284,040  | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |   | Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.   | Transactions between parent company and subsidiaries | Accounts receivable         | 288,549     | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |   | XiAn Walsin Metal Product Co., Ltd.   | Transactions between parent company and subsidiaries | Accounts receivable         | 49,447      | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |   | Walsin Precision Technology Sdn. Bhd.   | Transactions between parent company and subsidiaries | Accounts receivable         | 9,388       | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |   | Jiangyin Walsin Specialty Alloy Materials Co., Ltd.   | Transactions between parent company and subsidiaries | Accounts receivable         | 61,931      | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |

(Continued)

| No. | Company Name                  | Related Party   | Nature of Relationship                               | Transaction Details         |              |   |  |
|-----|-------------------------------|---|--|-----------------------------|--------------|---|--|
|     |                               |   |  | Financial Statement Account | Amount       | Terms   | Percentage of Consolidated Total Gross Sales or Total Assets |
|     |                               | XiAn Walsin Opto-electronic Limited                   | Transactions between parent company and subsidiaries | Accounts receivable         | \$ 61,278    | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |                               | Dongguan Walsin Wire & Cable Co., Ltd.                | Transactions between parent company and subsidiaries | Accounts receivable         | 75,660       | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |                               | XiAn Walsin United Technology Co., Ltd.               | Transactions between parent company and subsidiaries | Accounts receivable         | 582          | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |                               | Nanjing Walsin Metal Co., Ltd.                        | Transactions between parent company and subsidiaries | Accounts receivable         | 141,843      | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |                               | Changshu Walsin Specialty Steel Co., Ltd.             | Transactions between parent company and subsidiaries | Sales                       | 1,089,193    | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |
|     |                               | Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. | Transactions between parent company and subsidiaries | Sales                       | 1,160,751    | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |
|     |                               | XiAn Walsin Metal Product Co., Ltd.                   | Transactions between parent company and subsidiaries | Sales                       | 1,113,475    | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |
|     |                               | Walsin Precision Technology Sdn. Bhd.                 | Transactions between parent company and subsidiaries | Sales                       | 292,986      | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |                               | Jiangyin Walsin Specialty Alloy Materials Co., Ltd.   | Transactions between parent company and subsidiaries | Sales                       | 252,815      | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |                               | XiAn Walsin Opto-electronic Limited                   | Transactions between parent company and subsidiaries | Sales                       | 304,104      | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |                               | Dongguan Walsin Wire & Cable Co., Ltd.                | Transactions between parent company and subsidiaries | Sales                       | 614,961      | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |                               | XiAn Walsin United Technology Co., Ltd.               | Transactions between parent company and subsidiaries | Sales                       | 141,428      | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |                               | Nanjing Walsin Metal Co., Ltd.                        | Transactions between parent company and subsidiaries | Sales                       | 308,622      | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
| 1   | Walsin Lihwa Holdings Limited | Nanjing Walsin Metal Co., Ltd.                        | Transactions between parent company and subsidiaries | Accounts receivable         | US\$ 47,414  | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |
|     |                               | Dongguan Walsin Wire & Cable Co., Ltd.                | Transactions between parent company and subsidiaries | Accounts receivable         | US\$ 255,452 | The terms are set by quotations on the local market, and are similar to those of general customers. | 7  |
|     |                               | Yantai Jin Cherg Precision Wire Rod Co., Ltd.         | Transactions between subsidiaries                    | Accounts receivable         | US\$ 22,681  | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |
|     |                               | Walsin (China) Investment Co., Ltd.                   | Transactions between parent company and subsidiaries | Other receivables           | US\$ 65,782  | Based on capital demand   | 2  |
|     |                               | Jiangyin Walsin Steel Cable Co., Ltd.                 | Transactions between parent company and subsidiaries | Other receivables           | US\$ 10,199  | Based on capital demand   | -  |
|     |                               | Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.    | Transactions between parent company and subsidiaries | Other receivables           | US\$ 9,179   | Based on capital demand   | -  |
|     |                               | XiAn Walsin United Technology Co., Ltd.               | Transactions between subsidiaries                    | Other receivables           | US\$ 27,225  | Based on capital demand   | 1  |
|     |                               | Dongguan Walsin Wire & Cable Co., Ltd.                | Transactions between parent company and subsidiaries | Sales                       | US\$ 379,840 | The terms are set by quotations on the local market, and are similar to those of general customers. | 7  |
|     |                               | Nanjing Walsin Metal Co., Ltd.                        | Transactions between parent company and subsidiaries | Sales                       | US\$ 48,326  | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |

(Continued)



| No. | Company Name  | Related Party   | Nature of Relationship                               | Transaction Details         |              |   |  |
|-----|---|---|--|-----------------------------|--------------|---|--|
|     |   |   |  | Financial Statement Account | Amount       | Terms   | Percentage of Consolidated Total Gross Sales or Total Assets |
|     |   | Yantai Jin Cherng Precision Wire Rod Co., Ltd.        | Transactions between subsidiaries                    | Sales                       | US\$ 24,158  | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
| 2   | Nanjing Walsin Metal Co., Ltd.                        | Hangzhou Walsin Power Cable & Wire Co., Ltd.          | Transactions between subsidiaries                    | Sales                       | US\$ 37,045  | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |
|     |   | Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.    | Transactions between subsidiaries                    | Sales                       | US\$ 95,066  | The terms are set by quotations on the local market, and are similar to those of general customers. | 2  |
|     |   | Hangzhou Walsin Power Cable & Wire Co., Ltd.          | Transactions between subsidiaries                    | Accounts receivable         | US\$ 2,685   | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |   | Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.    | Transactions between subsidiaries                    | Accounts receivable         | US\$ 2,157   | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
| 3   | Concord Industries Limited                            | Jiangyin Walsin Specialty Alloy Materials Co., Ltd.   | Transactions between parent company and subsidiaries | Other receivables           | US\$ 60,543  | Based on capital demand   | 2  |
| 4   | Walsin Specialty Steel Corp.                          | Changshu Walsin Specialty Steel Co., Ltd.             | Transactions between parent company and subsidiaries | Other receivables           | US\$ 68,714  | Based on capital demand   | 2  |
| 5   | Joint Success Enterprise Limited                      | Walsin (Nanjing) Construction Limited                 | Transactions between parent company and subsidiaries | Other receivables           | RMB 166,440  | Based on capital demand   | 1  |
|     |   | Walsin Lihwa Holdings Limited                         | Transactions between parent company and subsidiaries | Other receivables           | RMB 8,800    | Based on capital demand   | -  |
| 6   | Walsin (China) Investment Co., Ltd.                   | Walsin Lihwa Holdings Limited                         | Transactions between subsidiaries and parent company | Other receivables           | US\$ 4,901   | Based on capital demand   | -  |
| 7   | Yantai Jin Cherng Precision Wire Rod Co., Ltd.        | Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. | Transactions between subsidiaries                    | Sales                       | US\$ 127,909 | The terms are set by quotations on the local market, and are similar to those of general customers. | 2  |
|     |   | Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. | Transactions between subsidiaries                    | Accounts receivable         | US\$ 19,308  | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |
|     |   | Changzhou Wujin NSL Co., Ltd.                         | Transactions between subsidiaries                    | Sales                       | US\$ 39,772  | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |
| 8   | Changzhou Wujin NSL Co., Ltd.                         | Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. | Transactions between subsidiaries                    | Sales                       | US\$ 39,741  | The terms are set by quotations on the local market, and are similar to those of general customers. | 1  |
| 9   | Yantai Dazhong Recycling Resource Co., Ltd.           | Yantai Jin Cherng Precision Wire Rod Co., Ltd.        | Transactions between subsidiaries                    | Sales                       | US\$ 25,825  | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |   | Yantai Jin Cherng Precision Wire Rod Co., Ltd.        | Transactions between subsidiaries                    | Accounts receivable         | US\$ 7,101   | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
| 10  | Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. | Changshu Walsin Specialty Steel Co., Ltd.             | Transactions between subsidiaries                    | Sales                       | US\$ 14,100  | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |   | Changshu Walsin Specialty Steel Co., Ltd.             | Transactions between subsidiaries                    | Accounts receivable         | US\$ 1,574   | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |

(Continued)

| No. | Company Name         | Related Party                                       | Nature of Relationship                               | Transaction Details         |            |   |  |
|-----|----------------------|---|--|-----------------------------|------------|---|--|
|     |                      |   |  | Financial Statement Account | Amount     | Terms   | Percentage of Consolidated Total Gross Sales or Total Assets |
|     |                      | Jiangyin Walsin Specialty Alloy Materials Co., Ltd. | Transactions between subsidiaries                    | Sales                       | US\$ 4,421 | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
|     |                      | Jiangyin Walsin Specialty Alloy Materials Co., Ltd. | Transactions between subsidiaries                    | Accounts receivable         | US\$ 1,995 | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |
| 11  | Market Pilot Limited | XiAn Walsin United Technology Co., Ltd.             | Transactions between parent company and subsidiaries | Other receivables           | RMB 1,000  | The terms are set by quotations on the local market, and are similar to those of general customers. | -  |

(Concluded)

## 5. Parent Company Only Financial Statements of Recent Years

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Walsin Lihwa Corporation

We have audited the accompanying balance sheets of Walsin Lihwa Corporation (the "Company") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related statements of comprehensive income, changes in 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. The financial statements as of December 31, 2013, December 31, 2012 and January 1, 2012 and for the years ended December 31, 2013 and 2012 of certain equity-method investees were audited by other independent auditors. Our opinion, insofar as it relates to such investments, is based solely on the reports of other auditors. The investments in such investees amounted to NT\$3,245,628 thousand, NT\$2,858,516 thousand and NT\$2,732,915 thousand which constituted 4.00%, 3.54% and 3.07% of the total assets as of December 31, 2013, December 31, 2012 and January 1, 2012, and the investment gain amounted to NT\$92,389 thousand and the investment loss amounted to NT\$53,424 thousand for the years ended December 31, 2013 and 2012.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013, December 31, 2012 and January 1, 2012, and their financial performance and their cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

March 5, 2014

#### Notice to Readers

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

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

## WALSIN LIHWA CORPORATION

BALANCE SHEETS  
(In Thousands of New Taiwan Dollars)

| ASSETS  | December 31, 2013    |            | December 31, 2012    |            | January 1, 2012      |            | LIABILITIES AND EQUITY   | December 31, 2013    |            | December 31, 2012    |            | January 1, 2012      |            |
|---|----------------------|------------|----------------------|------------|----------------------|------------|--|----------------------|------------|----------------------|------------|----------------------|------------|
|   | Amount               | %          | Amount               | %          | Amount               | %          |  | Amount               | %          | Amount               | %          | Amount               | %          |
| <b>CURRENT ASSETS</b>   |                      |            |                      |            |                      |            | <b>CURRENT LIABILITIES</b>   |                      |            |                      |            |                      |            |
| Cash and cash equivalents (Notes 4 and 6)   | \$ 497,926           | 1          | \$ 607,238           | 1          | \$ 2,444,336         | 3          | Short-term borrowings (Note 16)  | \$ 4,980,073         | 6          | \$ 7,360,812         | 9          | \$ 8,257,646         | 9          |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7)     | 51,436               | -          | 43,383               | -          | 13,786               | -          | Financial liabilities at fair value through profit or loss - current (Notes 4 and 7) | -                    | -          | 4,207                | -          | 61,578               | -          |
| Notes receivable (Notes 4 and 10)   | 34,130               | -          | 54,563               | -          | 51,437               | -          | Derivative financial liabilities for hedging - current (Notes 4 and 9)               | -                    | -          | 287                  | -          | 46,953               | -          |
| Trade receivables (Notes 4 and 10)  | 1,705,109            | 2          | 1,955,063            | 2          | 1,817,276            | 2          | Trade payables   | 2,947,366            | 4          | 2,510,492            | 3          | 4,974,138            | 6          |
| Trade receivables from related parties (Notes 4, 10 and 25)                         | 742,514              | 1          | 974,725              | 1          | 859,668              | 1          | Current tax liabilities (Notes 4 and 21)   | -                    | -          | 158,704              | -          | 313,676              | -          |
| Other receivables   | 146,873              | -          | 196,744              | -          | 244,897              | -          | Other payables   | 1,340,226            | 2          | 1,009,050            | 2          | 1,288,833            | 2          |
| Inventories (Notes 4 and 11)  | 5,045,345            | 6          | 6,208,131            | 8          | 9,329,947            | 11         | Current portion of long-term borrowings (Note 16)                                    | -                    | -          | -                    | -          | 9,500,000            | 11         |
| Other financial assets (Note 6)   | -                    | -          | 305,627              | -          | 305,627              | -          | Other current liabilities (Note 21)  | 239,065              | -          | 147,321              | -          | 273,857              | -          |
| Other current assets  | 500,343              | 1          | 405,269              | 1          | 565,861              | 1          | Total current liabilities  | 9,506,730            | 12         | 11,190,873           | 14         | 24,716,681           | 28         |
| Total current assets  | 8,723,676            | 11         | 10,750,743           | 13         | 15,632,835           | 18         | <b>NON-CURRENT LIABILITIES</b>   |                      |            |                      |            |                      |            |
| <b>NON-CURRENT ASSETS</b>   |                      |            |                      |            |                      |            | Long-term borrowings (Notes 4 and 16)  | 10,200,000           | 13         | 10,200,000           | 13         | -                    | -          |
| Financial assets at fair value through profit or loss - non-current (Notes 4 and 7) | -                    | -          | -                    | -          | 13,849               | -          | Deferred tax liabilities non-current (Notes 4 and 21)                                | 131,132              | -          | 131,132              | -          | 131,132              | -          |
| Available-for-sale financial assets - non-current (Notes 4 and 8)                   | 3,212,430            | 4          | 681,018              | 1          | 668,249              | 1          | Accrued pension liabilities (Note 17)  | 1,197,044            | 1          | 1,323,139            | 2          | 1,308,051            | 2          |
| Derivative financial assets for hedging - non-current (Notes 4 and 9)               | -                    | -          | -                    | -          | 3,571                | -          | Other non-current liabilities  | 179,118              | -          | 151,280              | -          | 187,514              | -          |
| Held-to-maturity financial assets - non-current (Note 4)                            | -                    | -          | -                    | -          | 235,080              | -          | Total non-current liabilities  | 11,707,294           | 14         | 11,805,551           | 15         | 1,626,697            | 2          |
| Financial assets measured at cost - non-current (Notes 4 and 12)                    | 548,757              | 1          | 399,641              | 1          | 1,265,678            | 1          | Total liabilities  | 21,214,024           | 26         | 22,996,424           | 29         | 26,343,378           | 30         |
| Investment accounted for using equity method (Notes 4 and 13)                       | 46,606,569           | 57         | 46,923,707           | 58         | 52,043,619           | 58         | <b>EQUITY</b>  |                      |            |                      |            |                      |            |
| Property, plant and equipment (Notes 4 and 14)                                      | 11,719,767           | 15         | 11,529,460           | 14         | 8,608,842            | 10         | Share capital (Note 18)  | 35,760,002           | 44         | 36,160,002           | 45         | 36,160,002           | 41         |
| Investments properties (Notes 4 and 15)   | 9,147,563            | 11         | 9,293,983            | 12         | 9,440,404            | 11         | Capital surplus (Note 18)  | 15,629,054           | 19         | 15,742,724           | 19         | 15,724,835           | 18         |
| Deferred tax assets - non-current (Notes 4 and 21)                                  | 1,017,000            | 1          | 770,000              | 1          | 804,000              | 1          | Retained earnings (Note 18)  | -                    | -          | -                    | -          | -                    | -          |
| Refundable deposits   | 28,008               | -          | 29,372               | -          | 33,384               | -          | Legal reserve  | 2,438,101            | 3          | 5,424,527            | 7          | 5,424,527            | 6          |
| Prepayment for investments  | -                    | -          | 79,683               | -          | -                    | -          | Special reserve  | 3,507,455            | 5          | 1,136,328            | 1          | 3,859,364            | 4          |
| Other non-current assets  | 181,526              | -          | 187,025              | -          | 10,730               | -          | Unappropriated earnings  | 1,813,125            | 2          | 3,856,576            | 5          | 4,598,572            | 5          |
| Total non-current assets  | 72,461,620           | 89         | 69,893,889           | 87         | 73,127,406           | 82         | Total retained earnings  | 7,758,681            | 10         | 10,417,431           | 13         | 13,882,463           | 15         |
|   |                      |            |                      |            |                      |            | Other equity   |                      |            |                      |            |                      |            |
|   |                      |            |                      |            |                      |            | Exchange difference on translating foreign operations                                | 317,266              | -          | (1,478,713)          | (2)        | -                    | -          |
|   |                      |            |                      |            |                      |            | Unrealized gain (loss) on available-for-sale financial assets                        | 506,269              | 1          | (2,136,988)          | (3)        | (2,518,591)          | (3)        |
|   |                      |            |                      |            |                      |            | Cash flow hedges   | -                    | -          | (287)                | -          | (62,004)             | -          |
|   |                      |            |                      |            |                      |            | Total other equity   | 823,535              | 1          | (3,615,988)          | (5)        | (2,580,595)          | (3)        |
|   |                      |            |                      |            |                      |            | Treasury shares (Notes 4 and 18)   | -                    | -          | (1,055,961)          | (1)        | (769,842)            | (1)        |
|   |                      |            |                      |            |                      |            | Total equity   | 59,971,272           | 74         | 57,648,208           | 71         | 62,416,863           | 70         |
| <b>TOTAL</b>  | <b>\$ 81,185,296</b> | <b>100</b> | <b>\$ 80,644,632</b> | <b>100</b> | <b>\$ 88,760,241</b> | <b>100</b> | <b>TOTAL</b>   | <b>\$ 81,185,296</b> | <b>100</b> | <b>\$ 80,644,632</b> | <b>100</b> | <b>\$ 88,760,241</b> | <b>100</b> |

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

(With Deloitte &amp; Touche audit report dated March 5, 2014)

# WALSIN LIHWA CORPORATION

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

|  | For the Years Ended December 31 |      |               |      |
|--|---------------------------------|------|---------------|------|
|  | 2013                            |      | 2012          |      |
|  | Amount                          | %    | Amount        | %    |
| OPERATING REVENUE (Note 19)  | \$ 67,659,107                   | 100  | \$ 69,282,856 | 100  |
| OPERATING COSTS (Note 11)  | (64,964,383)                    | (96) | (65,196,282)  | (94) |
| UNREALIZED GAIN ON TRANSACTIONS WITH<br>SUBSIDIARIES AND ASSOCIATIES | (1,041)                         | -    | (14,564)      | -    |
| GROSS PROFIT   | 2,693,683                       | 4    | 4,072,010     | 6    |
| OPERATING EXPENSES   |                                 |      |               |      |
| Selling and marketing expenses                                       | 488,118                         | -    | 491,571       | 1    |
| General and administrative expenses                                  | 530,938                         | 1    | 940,091       | 1    |
| Research and development expenses                                    | 26,082                          | -    | 197,347       | -    |
| Total operating expenses   | 1,045,138                       | 1    | 1,629,009     | 2    |
| PROFIT FROM OPERATIONS   | 1,648,545                       | 3    | 2,443,001     | 4    |
| NON-OPERATING INCOME AND EXPENSES                                    |                                 |      |               |      |
| Interest income  | 5,547                           | -    | 19,606        | -    |
| Dividend income  | 5,534                           | -    | 36,651        | -    |
| Other income   | 50,211                          | -    | 42,713        | -    |
| Gain on disposal of property, plant and equipment                    | 60,664                          | -    | 30,680        | -    |
| Foreign exchange gain, net   | 155,559                         | -    | 168,701       | -    |
| Impairment loss (Note 20)  | (600,198)                       | (1)  | (1,662,472)   | (2)  |
| Other expense  | (133,347)                       | -    | (61,487)      | -    |
| Gain on valuation of financial assets and liabilities                | 12,438                          | -    | 73,120        | -    |
| Interest expense   | (268,764)                       | -    | (305,809)     | -    |
| Loss on disposal of investments (Note 20)                            | (588,208)                       | (1)  | (92,613)      | -    |
| Share of loss of subsidiaries and associates                         | (3,362,677)                     | (5)  | (3,872,632)   | (6)  |
| Total non-operating income and expenses                              | (4,663,241)                     | (7)  | (5,623,542)   | (8)  |
| LOSS BEFORE INCOME TAX FROM<br>CONTINUING OPERATIONS                 | (3,014,696)                     | (4)  | (3,180,541)   | (4)  |
| INCOME TAX BENEFIT (EXPENSE) (Note 21)                               | 326,000                         | -    | (6,000)       | -    |
| NET LOSS FOR THE YEAR  | (2,688,696)                     | (4)  | (3,186,541)   | (4)  |

(Continued)

## WALSIN LIHWA CORPORATION

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

|   | For the Years Ended December 31 |          |                       |            |
|---|---------------------------------|----------|-----------------------|------------|
|   | 2013                            |          | 2012                  |            |
|   | Amount                          | %        | Amount                | %          |
| <b>OTHER COMPREHENSIVE INCOME</b>   |                                 |          |                       |            |
| Exchange gain (loss) on translation of foreign operations                 | \$ 1,795,979                    | 3        | \$ (1,478,713)        | (2)        |
| Unrealized gain on available-for-sale financial assets                    | 2,643,257                       | 4        | 381,603               | -          |
| Cash flow hedges gain   | 287                             | -        | 61,717                | -          |
| Actuarial gain and loss arising from defined benefit plans                | 82,406                          | -        | (26,525)              | -          |
| Share of other comprehensive income (loss) of subsidiaries and associates | <u>3,350</u>                    | <u>-</u> | <u>(53,554)</u>       | <u>-</u>   |
| Other comprehensive income (loss) for the period                          | <u>4,525,279</u>                | <u>7</u> | <u>(1,115,472)</u>    | <u>(2)</u> |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>                     | <u>\$ 1,836,583</u>             | <u>3</u> | <u>\$ (4,302,013)</u> | <u>(6)</u> |
| <b>LOSS PER SHARE (Note 22)</b>   |                                 |          |                       |            |
| Basic   | <u>\$ (0.77)</u>                |          | <u>\$ (0.90)</u>      |            |

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

(With Deloitte & Touche audit report dated March 5, 2014)

(Concluded)

WALSIN LIHWA CORPORATION

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

|   | Equity        |                 |                   |                 |              |                         |  |   |                  |                 |              |
|---|---------------|-----------------|-------------------|-----------------|--------------|-------------------------|--|---|------------------|-----------------|--------------|
|   | Share Capital | Capital Surplus | Retained Earnings |                 |              | Unappropriated Earnings | Exchange Differences on Translating Foreign Operations | Other Equity  |                  |                 | Total Equity |
|   |               |                 | Legal Reserve     | Special Reserve |              |                         |  | Unrealized Gain (Loss) on Available-for-sale Financial Assets | Cash Flow Hedges | Treasury Shares |              |
| BALANCE AT JANUARY 1, 2012  | \$ 36,160,002 | \$ 15,724,835   | \$ 5,424,527      | \$ 3,859,364    | \$ 4,598,572 | \$ -                    | \$ (2,518,591)   | \$ (62,004)   | \$ (769,842)     | \$ 62,416,863   |              |
| Reversal of special reserve   | -             | -               | -                 | (2,354,409)     | 2,354,409    | -                       | -  | -   | -                | -               |              |
| Special reserve used to offset a deficit  | -             | -               | -                 | (368,627)       | 368,627      | -                       | -  | -   | -                | -               |              |
| Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of   | -             | -               | -                 | -               | (198,412)    | -                       | -  | -   | -                | (198,412)       |              |
| Net loss for the year ended December 31, 2012   | -             | -               | -                 | -               | (3,186,541)  | -                       | -  | -   | -                | (3,186,541)     |              |
| Other comprehensive income (loss) for the year ended December 31, 2012, net of income tax                   | -             | -               | -                 | -               | (80,079)     | (1,478,713)             | 381,603  | 61,717  | -                | (1,115,472)     |              |
| Total comprehensive income (loss) for the year ended December 31, 2012                                      | -             | -               | -                 | -               | (3,266,620)  | (1,478,713)             | 381,603  | 61,717  | -                | (4,302,013)     |              |
| Common shares held by subsidiaries (Note 18)  | -             | -               | -                 | -               | -            | -                       | -  | -   | (286,119)        | (286,119)       |              |
| Others  | -             | 17,889          | -                 | -               | -            | -                       | -  | -   | -                | 17,889          |              |
| BALANCE, DECEMBER 31, 2012  | 36,160,002    | 15,742,724      | 5,424,527         | 1,136,328       | 3,856,576    | (1,478,713)             | (2,136,988)  | (287)   | (1,055,961)      | 57,648,208      |              |
| Special reserve under Rule No. 1010012865 issued by the FSC   | -             | -               | -                 | 2,933,130       | (2,933,130)  | -                       | -  | -   | -                | -               |              |
| Reversal of special reserve   | -             | -               | -                 | 794,296         | (794,296)    | -                       | -  | -   | -                | -               |              |
| Legal reserve used to offset a deficit  | -             | -               | (2,986,426)       | -               | 2,986,426    | -                       | -  | -   | -                | -               |              |
| Special reserve used to offset a deficit  | -             | -               | -                 | (1,136,328)     | 1,136,328    | -                       | -  | -   | -                | -               |              |
| Disposal of investment accounted for using equity method  | -             | -               | -                 | (219,971)       | 219,971      | -                       | -  | -   | -                | -               |              |
| Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of   | -             | -               | -                 | -               | (30,826)     | -                       | -  | -   | -                | (30,826)        |              |
| Change in capital surplus from investments in subsidiaries and associates accounted for using equity method | -             | -               | -                 | -               | (24,984)     | -                       | -  | -   | -                | (24,984)        |              |
| Net loss for the year ended December 31, 2013   | -             | -               | -                 | -               | (2,688,696)  | -                       | -  | -   | -                | (2,688,696)     |              |
| Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax                   | -             | -               | -                 | -               | 85,756       | 1,795,979               | 2,643,257  | 287   | -                | 4,525,279       |              |
| Total comprehensive income (loss) for the year ended December 31, 2013                                      | -             | -               | -                 | -               | (2,602,940)  | 1,795,979               | 2,643,257  | 287   | -                | 1,836,583       |              |
| Retirement of treasury stock  | (400,000)     | (113,663)       | -                 | -               | -            | -                       | -  | -   | 513,663          | -               |              |
| Common shares held by subsidiaries (Note 18)  | -             | -               | -                 | -               | -            | -                       | -  | -   | 542,298          | 542,298         |              |
| Others  | -             | (7)             | -                 | -               | -            | -                       | -  | -   | -                | (7)             |              |
| BALANCE, DECEMBER 31, 2013  | \$ 35,760,002 | \$ 15,629,054   | \$ 2,438,101      | \$ 3,507,455    | \$ 1,813,125 | \$ 317,266              | \$ 506,269   | \$ -  | \$ -             | \$ 59,971,272   |              |

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

(With Deloitte & Touche audit report dated March 5, 2014)

## WALSIN LIHWA CORPORATION

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

|   | For the Years Ended<br>December 31 |                                 |
|---|------------------------------------|---------------------------------|
|   | 2013                               | 2012                            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                    |                                 |
| Loss before income tax  | \$ (3,014,696)                     | \$ (3,180,541)                  |
| Adjustments for:  |                                    |                                 |
| Depreciation expenses   | 1,050,875                          | 1,041,728                       |
| Amortization expenses   | 11,322                             | 10,607                          |
| Reversal of allowance for impairment loss on trade receivables  | (23)                               | (9,033)                         |
| Net gain on fair value change of financial assets and liabilities<br>designated as at fair value through profit or loss | (12,438)                           | (73,120)                        |
| Interest expense  | 268,764                            | 305,809                         |
| Interest income   | (5,547)                            | (19,606)                        |
| Dividend income   | (5,534)                            | (36,651)                        |
| Share of loss of subsidiaries and associates  | 3,362,677                          | 3,872,632                       |
| Gain on disposal of property, plant and equipment   | (60,664)                           | (30,680)                        |
| Loss on disposal of investments   | 588,208                            | 92,613                          |
| Impairment loss recognized on financial assets  | 538,000                            | 1,513,604                       |
| Impairment loss recognized on property, plant and equipment   | 62,198                             | 148,868                         |
| Net loss (gain) on foreign currency exchange  | 9,541                              | (6,607)                         |
| Other non-cash items  | -                                  | 26,363                          |
| Changes in operating assets and liabilities   |                                    |                                 |
| Decrease (Increase) in financial assets held for trading  | 1,026,594                          | (73,557)                        |
| Decrease (increase) in notes receivable   | 20,433                             | (3,126)                         |
| Decrease (increase) in trade receivables  | 482,188                            | (243,811)                       |
| (Increase) decrease in other receivables  | (15,740)                           | 18,484                          |
| Decrease in inventories   | 1,162,786                          | 3,121,816                       |
| (Increase) decrease in other current assets   | (95,074)                           | 170,122                         |
| Decrease in other operating assets  | 732                                | 3,994                           |
| Increase (decrease) in trade payables   | 436,874                            | (2,463,646)                     |
| Increase (decrease) in other payable  | 208,659                            | (223,277)                       |
| Decrease in accrued pension liabilities   | (43,689)                           | (9,501)                         |
| Increase (decrease) in other current liabilities  | 91,744                             | (126,536)                       |
| Increase (decrease) in other operating liabilities  | 27,838                             | (36,234)                        |
| Cash generated from operations  | 6,096,028                          | 3,790,714                       |
| Interest paid   | (271,177)                          | (304,533)                       |
| Interest received   | 10,746                             | 19,248                          |
| Dividend received   | 63,172                             | 146,249                         |
| Income tax paid   | (79,895)                           | (294,984)                       |
| Net cash generated from operating activities  | <u>5,818,874</u>                   | <u>3,356,694</u><br>(Continued) |



# WALSIN LIHWA CORPORATION

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

|   | For the Years Ended<br>December 31 |                   |
|---|------------------------------------|-------------------|
|   | 2013                               | 2012              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                    |                   |
| Purchase of financial assets measured at cost   | \$ -                               | \$ (281,312)      |
| Net cash used in disposal of subsidiaries   | 429,444                            | -                 |
| Proceeds from capital return of investment accounted for using equity method                          | 451,999                            | -                 |
| Proceeds on sale of financial assets measured at cost   | 39,033                             | 107,131           |
| Proceeds from capital return and liquidation return of investees in financial assets measured at cost | 22,771                             | -                 |
| Purchase of associates accounted under equity method  | (3,230,166)                        | (869,766)         |
| Proceeds from disposal of associates accounted under equity method                                    | -                                  | 564,322           |
| Purchase of property, plant and equipment   | (1,095,272)                        | (4,133,443)       |
| Proceeds from disposal of property, plant and equipment   | 156,147                            | 143,571           |
| Decrease in refundable deposits   | 305,627                            | -                 |
| Purchase of intangible assets   | -                                  | (8,000)           |
| Other investing activities  | (617,482)                          | (523,557)         |
| Net cash used in investing activities   | (3,537,899)                        | (5,001,054)       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                                    |                   |
| Decrease in short-term borrowings   | (2,390,280)                        | (890,227)         |
| Increase in long-term borrowings  | -                                  | 700,000           |
| Other financing activities  | (7)                                | (2,511)           |
| Net cash used in financing activities   | (2,390,287)                        | (192,738)         |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>  | (109,312)                          | (1,837,098)       |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>   | <u>607,238</u>                     | <u>2,444,336</u>  |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>   | <u>\$ 497,926</u>                  | <u>\$ 607,238</u> |

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

(With Deloitte & Touche audit report dated March 5, 2014)

(Concluded)

# WALSIN LIHWA CORPORATION

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012 (In Thousands of New Taiwan Dollars)

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### 1. GENERAL INFORMATION

Walsin Lihwa Corporation (“the Company”) was incorporated in December 1966 and commenced business in December 1966. The Company made various investments in construction, electronics, material science, real estate, LED, solar power related business, etc., to diversify its operations. The Company’s main products are wires, cables and specialty steel.

The Company’s shares have been listed on the Taiwan Stock Exchange (“TSE”) since November 1972. In October 1995 and November 2010, the Company increased its share capital and issued Global Depository Shares (“GDR”), which are listed on the Luxembourg Stock Exchange under stock number 168527.

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on March 5, 2014.

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

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

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

| <b>The New IFRSs Included in the<br/>2013 IFRSs Version Not Yet Endorsed by the FSC</b>  | <b>Effective Date<br/>Announced by IASB (Note 1)</b>  |
|--|---|
| Improvements to IFRSs (2009) - amendment to IAS 39<br>Amendment to IAS 39 “Embedded Derivatives”   | January 1, 2009 and January 1,<br>2010, as appropriate<br>Effective for annual periods<br>ending on or after June 30,<br>2009 |
| Improvements to IFRSs (2010)   | July 1, 2010 and January 1,<br>2011, as appropriate   |
| Annual Improvements to IFRSs 2009-2011 Cycle   | January 1, 2013   |
| Amendment to IFRS 1 “Limited Exemption from<br>Comparative IFRS 7 Disclosures for First-time Adopters”   | July 1, 2010  |
| Amendment to IFRS 1 “Severe Hyperinflation and Removal<br>of Fixed Dates for First-time Adopters”  | July 1, 2011  |
| Amendment to IFRS 1 “Government Loans”   | January 1, 2013   |
| Amendment to IFRS 7 “Disclosure - Offsetting Financial<br>Assets and Financial Liabilities”  | January 1, 2013   |
| Amendment to IFRS 7 “Disclosure - Transfer of Financial<br>Assets”   | July 1, 2011  |
| IFRS 10 “Consolidated Financial Statements”  | January 1, 2013   |
| IFRS 11 “Joint Arrangements”   | January 1, 2013   |
| IFRS 12 “Disclosure of Interests in Other Entities”  | January 1, 2013   |
| Amendments to IFRS 10, IFRS 11 and IFRS 12<br>“Consolidated Financial Statements, Joint Arrangements<br>and Disclosure of Interests in Other Entities: Transition<br>Guidance” | January 1, 2013   |
| Amendments to IFRS 10 and IFRS 12 and IAS 27<br>“Investment Entities”  | January 1, 2014   |
| IFRS 13 “Fair Value Measurement”   | January 1, 2013   |
| Amendment to IAS 1 “Presentation of Other Comprehensive<br>Income”   | July 1, 2012  |
| Amendment to IAS 12 “Deferred Tax: Recovery of<br>Underlying Assets”   | January 1, 2012   |
| IAS 19 (Revised 2011) “Employee Benefits”  | January 1, 2013   |
| IAS 27 (Revised 2011) “Separate Financial Statements”  | January 1, 2013   |
| IAS 28 (Revised 2011) “Investments in Associates and Joint<br>Ventures”  | January 1, 2013   |
| Amendment to IAS 32 “Offsetting Financial Assets and<br>Financial Liabilities”   | January 1, 2014   |
| IFRIC 20 “Stripping Costs in Production Phase of a Surface<br>Mine”  | January 1, 2013   |

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

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

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

- b. Significant impending changes in accounting policy that would result whenever New IFRSs in issue but not yet effective are applied.

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

- 1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

## Recognition and measurement of financial liabilities

As for financial liabilities, the main changes in the classification and measurement relate to the subsequent measurement of financial liabilities designated as at fair value through profit or loss. The amount of change in the fair value of such financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch in profit or loss, the Company presents all gains or losses on that liability in profit or loss.

## Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

## Effective date

The mandatory effective date of IFRS 9, which was previously set at January 1, 2015, was removed and will be reconsidered once the standard is complete with a new impairment model and finalization of any limited amendments to classification and measurement.

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

#### a) IFRS 10 "Consolidated Financial Statements"

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

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

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

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

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

3) IFRS 13 “Fair Value Measurement”

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

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

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

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

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

6) New issued IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Company accrues related liability when the transaction or activity that triggers the payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

7) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 “Share-Based Payment”, IFRS 3 “Business

Combinations” and IFRS 8 “Operating Segments” were amended in this annual improvement.

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

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

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

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

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

#### 8) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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



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

- c. The impact of the application of New IFRSs and the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”) in issue but not yet effective on the Company’s financial statements is as follows:

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

The Company’s financial statements for the year ended December 31, 2013 are its first IFRS financial statements prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”).

- b. Basis of preparation

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

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates and related equity items, as appropriate, in the parent company only financial statements.

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

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized within twelve months after the reporting period, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than twelve months after the reporting period. Property, plant and equipment, intangible assets, other than assets classified as current are classified as non-current. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that do not have an unconditional right to defer settlement for at least twelve months after the reporting period. Liabilities that are not classified as current



are classified as non-current. 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.

d. Foreign currencies

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

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

- 1) Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- 2) Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- 3) Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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

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

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

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

to profit or loss.

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

e. Inventories

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

f. Investments accounted for using equity method

Investments in subsidiaries, associates and jointly controlled entities are accounted for by the equity method.

1) Investment in subsidiaries

Subsidiaries (including special purpose entities) are the entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Company accounts for all

amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and sidestream transactions between subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

## 2) Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

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

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

When the Company's share of losses of an associate equals or exceeds its interest in that associate, the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

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

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

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

g. Property, plant and equipment

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

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

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

Any item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

i. Intangible assets

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

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

k. Financial instruments

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

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

## Financial assets

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

### 1) Measurement category

Financial assets are classified into the following specified categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The categories of financial assets held by the Company are available-for-sale financial assets and loans and receivables.

#### a) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other gains and losses line item.

#### b) Held-to-maturity investments

Foreign corporate bonds, which the Company has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

#### c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting



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

#### d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, cash and cash equivalent, and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

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

### 2) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

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

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

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

For all other financial assets, objective evidence of impairment could include:

- a) Significant financial difficulty of the issuer or counterparty; or
- b) Breach of contract, such as a default or delinquency in interest or principal payments; or
- c) It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- d) The disappearance of an active market for that financial asset because of financial difficulties.

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

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

### 3) Derecognition of financial assets

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

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



## Financial liabilities

### 1) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method, less any impairment.

Financial liabilities at fair value through profit or loss:

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item.

### 2) Derecognition of financial liabilities

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

## Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

### 1. Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

## 1) Fair value hedges

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued prospectively when the Company revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The fair value adjustment to the carrying amount of the hedged instrument arising from the hedged risk for which the effective interest method is used is amortized to profit or loss from the date the hedge accounting is discontinued. The adjustment is based on a recalculated effective interest rate that will fully amortize interest from the date amortization begins to the maturity of the financial instrument.

## 2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the other gains and losses line item.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Company revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When the forecast transaction is ultimately recognized in profit or loss, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss or are included in the initial cost of the non-financial asset or non-financial liability. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

## m. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

n. Revenue recognition

Revenue from sales of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable. The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors. Sales of goods are recognized when goods are delivered and title has passed.

1) Rendering of services

Service income is recognized when services are provided. Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

2) Dividend and interest income

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

o. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

p. Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

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

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

q. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The accounts include allowance for doubtful accounts, inventory valuation losses, depreciation, impairment, pension, bonus to employees and remuneration, etc. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The followings are the main assumptions and sources of estimation uncertainty at the end of financial reporting period:

a. Deferred tax assets

As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amount of the deferred tax assets in relation to unused tax losses was NT\$1,017,000 thousand, NT\$770,000 thousand and NT\$804,000 thousand, respectively. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

b. Write-down of inventory

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

c. Recognition and measurement of defined benefit plans

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

As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amount of the accrued pension liabilities was NT\$1,197,044 thousand, NT\$1,323,139 thousand and NT\$1,308,051 thousand, respectively.

## 6. CASH AND CASH EQUIVALENTS

|               | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012     |
|---------------|----------------------|----------------------|---------------------|
| Cash on hand  | \$ 3,770             | \$ 3,250             | \$ 3,150            |
| Cash in bank  | 494,156              | 603,988              | 1,391,946           |
| Time deposits | <u>-</u>             | <u>-</u>             | <u>1,049,240</u>    |
|               | <u>\$ 497,926</u>    | <u>\$ 607,238</u>    | <u>\$ 2,444,336</u> |

The ranges of market rates of cash in bank and bank overdrafts at the end of the reporting period were as follows (except the market rate of checking account was zero):

|              | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012 |
|--------------|----------------------|----------------------|-----------------|
| Bank balance | 0.01%-0.40%          | 0.02%-0.90%          | 0.02%-0.40%     |

Cash in bank and time deposits in the total of EUR53,560 thousand at January 1, 2012, were intended for payment of equipment for use in the Taichung Port. The deposits are designated as cash flow hedge to manage exposures to exchange rate fluctuations.

Certain time deposits as of December 31, 2013, December 31, 2012 and January 1, 2012, were classified and pledged as follows:

| Purpose                          | December 31,<br>2013                               | December 31,<br>2012 | January 1,<br>2012 |                   |
|----------------------------------|--|----------------------|--------------------|-------------------|
| Other financial assets - current |  |                      |                    |                   |
| Pledged time deposits            | To secure letter of credit for<br>equipment import | \$ -                 | \$ 305,627         | \$ 305,627        |
| Non-current assets               |  |                      |                    |                   |
| Refundable deposits              | To meet required security<br>deposit               | <u>600</u>           | <u>600</u>         | <u>600</u>        |
|                                  |  | <u>\$ 600</u>        | <u>\$ 306,227</u>  | <u>\$ 306,227</u> |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012  |
|---|----------------------|----------------------|------------------|
| <u>Financial assets held for trading</u>                    |                      |                      |                  |
| Derivative financial assets (not under<br>hedge accounting) |                      |                      |                  |
| Forward exchange contracts                                  | \$ 46,009            | \$ -                 | \$ 13,397        |
| Commodity futures contracts                                 | 5,427                | 42,942               | -                |
| Exchange rate swap contracts                                | -                    | -                    | 13,849           |
| Non-derivative financial assets                             |                      |                      |                  |
| Marketable equity securities                                | <u>-</u>             | <u>441</u>           | <u>389</u>       |
| Financial assets at FVTPL                                   | <u>\$ 51,436</u>     | <u>\$ 43,383</u>     | <u>\$ 27,635</u> |

(Continued)

|             | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012                 |
|-------------|----------------------|----------------------|---------------------------------|
| Current     | \$ 51,436            | \$ 43,383            | \$ 13,786                       |
| Non-current | <u>-</u>             | <u>-</u>             | <u>13,849</u>                   |
|             | <u>\$ 51,436</u>     | <u>\$ 43,383</u>     | <u>\$ 27,635</u><br>(Concluded) |

Financial liabilities held for trading

Derivative financial liabilities (not under  
hedge accounting)

|                                |             |                 |                  |
|--------------------------------|-------------|-----------------|------------------|
| Forward exchange contracts     | \$ -        | \$ 4,207        | \$ -             |
| Commodity futures contracts    | <u>-</u>    | <u>-</u>        | <u>61,578</u>    |
| Financial liabilities at FVTPL | <u>\$ -</u> | <u>\$ 4,207</u> | <u>\$ 61,578</u> |
| Current                        | \$ -        | \$ 4,207        | \$ 61,578        |
| Non-current                    | <u>-</u>    | <u>-</u>        | <u>-</u>         |
|                                | <u>\$ -</u> | <u>\$ 4,207</u> | <u>\$ 61,578</u> |

At the end of the reporting period, outstanding commodity futures not under hedge accounting were as follows:

|                          | Type of<br>Transaction | Quantity<br>(Tons) | Trade Date                | Expiration<br>Date        | Exercise Price<br>(In Thousands) | Market Price<br>(In Thousands) | Valuation<br>(Loss) Gain<br>(In Thousands) |
|--------------------------|------------------------|--------------------|---------------------------|---------------------------|----------------------------------|--------------------------------|--|
| <u>December 31, 2013</u> |                        |                    |                           |                           |                                  |                                |  |
| Commodity futures        |                        |                    |                           |                           |                                  |                                |  |
| Copper                   | Buy                    | 3,800              | 2013.04.02-<br>2013.12.31 | 2014.01.15-<br>2014.10.15 | US\$ 27,424                      | US\$ 27,976                    | US\$ 552                                   |
| Copper                   | Sell                   | 2,850              | 2013.12.18-<br>2013.12.31 | 2014.02.19-<br>2014.03.30 | US\$ 20,775                      | US\$ 21,051                    | US\$ (276)                                 |
| Nickel                   | Sell                   | 372                | 2013.10.16-<br>2013.12.03 | 2014.01.16-<br>2014.02.19 | US\$ 5,093                       | US\$ 5,187                     | US\$ (94)                                  |
| <u>December 31, 2012</u> |                        |                    |                           |                           |                                  |                                |  |
| Commodity futures        |                        |                    |                           |                           |                                  |                                |  |
| Copper                   | Buy                    | 550                | 2012.06.13-<br>2012.12.21 | 2013.02.20-<br>2013.11.20 | US\$ 4,190                       | US\$ 4,368                     | US\$ 178                                   |
| Copper                   | Sell                   | 8,600              | 2012.10.29-<br>2012.12.31 | 2013.01.16-<br>2013.03.28 | US\$ 68,319                      | US\$ 68,261                    | US\$ 58                                    |
| Nickel                   | Sell                   | 2,784              | 2012.11.13-<br>2012.12.19 | 2013.02.13-<br>2013.03.19 | US\$ 48,907                      | US\$ 47,664                    | US\$ 1,243                                 |
| <u>January 1, 2012</u>   |                        |                    |                           |                           |                                  |                                |  |
| Commodity futures        |                        |                    |                           |                           |                                  |                                |  |
| Copper                   | Buy                    | 4,900              | 2011.08.05-<br>2011.12.20 | 2012.02.08-<br>2012.10.17 | US\$ 36,396                      | US\$ 37,178                    | US\$ 782                                   |
| Copper                   | Sell                   | 8,800              | 2011.11.30-<br>2011.12.30 | 2012.01.18-<br>2012.03.14 | US\$ 65,506                      | US\$ 66,902                    | US\$ (1,396)                               |
| Nickel                   | Sell                   | 1,890              | 2011.11.11-<br>2011.12.28 | 2012.02.10-<br>2012.03.21 | US\$ 33,999                      | US\$ 35,419                    | US\$ (1,420)                               |



At the end of the reporting period, outstanding exchange rate swap contracts not under hedge accounting were as follows:

| <b>Currencies</b>      | <b>Contract Expiration Date</b> | <b>Contract Amount (In Thousands)</b> |
|------------------------|---------------------------------|---------------------------------------|
| <u>January 1, 2012</u> |                                 |                                       |
| EUR to USD             | 2013.02.19                      | EUR4,000/USD5,675                     |

At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

|                                 | <b>Currencies</b> | <b>Contract Expiration Date</b> | <b>Contract Amount (In Thousands)</b> |
|---------------------------------|-------------------|---------------------------------|---------------------------------------|
| <u>December 31, 2013</u>        |                   |                                 |                                       |
| Buy forward exchange contracts  | USD to NTD        | 2014.01.13-2014.03.06           | USD100,000/NTD2,935,420               |
| <u>December 31, 2012</u>        |                   |                                 |                                       |
| Sell forward exchange contracts | EUR to USD        | 2013.02.19                      | EUR2,000/USD2,501                     |
| <u>January 1, 2012</u>          |                   |                                 |                                       |
| Buy forward exchange contracts  | USD to NTD        | 2012.01.19-2012.04.16           | USD75,000/NTD2,262,885                |
| Sell forward exchange contracts | EUR to USD        | 2012.01.13                      | EUR3,500/USD4,825                     |

For the years ended December 31, 2013 and 2012, the Company's strategy for commodity futures contracts, forward exchange contracts and exchange rate swap contracts was to hedge exposures to fluctuations of essential materials' prices and foreign exchange rates. However, those derivative financial instruments did not meet the criteria of hedge effectiveness; and therefore, they were not accounted for by hedge accounting.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|                             | <b>December 31, 2013</b> | <b>December 31, 2012</b> | <b>January 1, 2012</b> |
|-----------------------------|--------------------------|--------------------------|------------------------|
| <u>Domestic investments</u> |                          |                          |                        |
| Domestic quoted stocks      |                          |                          |                        |
| HannStar Display Corp.      | \$ 2,351,640             | \$ 681,018               | \$ 668,249             |
| Hannstar Board Corp.        | <u>860,790</u>           | <u>-</u>                 | <u>-</u>               |
|                             | <u>\$ 3,212,430</u>      | <u>\$ 681,018</u>        | <u>\$ 668,249</u>      |

(Continued)



|             | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012                  |
|-------------|----------------------|----------------------|----------------------------------|
| Current     | \$ -                 | \$ -                 | \$ -                             |
| Non-current | <u>3,212,430</u>     | <u>681,018</u>       | <u>668,249</u>                   |
|             | <u>\$ 3,212,430</u>  | <u>\$ 681,018</u>    | <u>\$ 668,249</u><br>(Concluded) |

In November 2013, the Company reorganized the investment structure of its group and ceased to have significant influence on the investee, Hannstar Board Corp.; thus, the financial asset has been remeasured at its fair value and transferred to “available-for-sale financial assets - non-current”. The difference between fair value and book value is NT\$977,952 thousand which was recorded as loss on disposal of investment.

## 9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

|  | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012  |
|--|----------------------|----------------------|------------------|
| <u>Derivative financial assets under<br/>hedge accounting</u>      |                      |                      |                  |
| Cash flow hedges - foreign exchange<br>forward contracts           | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ 3,571</u>  |
| Current  | \$ -                 | \$ -                 | \$ -             |
| Non-current  | <u>-</u>             | <u>-</u>             | <u>3,571</u>     |
|  | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ 3,571</u>  |
| <u>Derivative financial liabilities under<br/>hedge accounting</u> |                      |                      |                  |
| Fair value hedges - interest rate swaps                            | \$ -                 | \$ -                 | \$ 46,953        |
| Cash flow hedges - foreign exchange<br>forward contracts           | <u>-</u>             | <u>287</u>           | <u>-</u>         |
|  | <u>\$ -</u>          | <u>\$ 287</u>        | <u>\$ 46,953</u> |
| Current  | \$ -                 | \$ 287               | \$ 46,953        |
| Non-current  | <u>-</u>             | <u>-</u>             | <u>-</u>         |
|  | <u>\$ -</u>          | <u>\$ 287</u>        | <u>\$ 46,953</u> |

### Fair Value Hedges

The Company used interest rate swaps to minimize its exposure to fair value changes of its floating-rate borrowings by swapping a portion of the floating-rate borrowings from floating rates to fixed rates. The interest swaps and the corresponding borrowings had the same terms and management believed the interest rate swaps were highly effective hedge instruments. The outstanding interest rate swaps of the Company at the end of the reporting period were as follows:

| <b>Contract Amount<br/>(In Thousands)</b> | <b>Contract<br/>Expiration Date</b> | <b>Range of Interest<br/>Rates Paid</b> | <b>Range of Interest<br/>Rates Received</b> |
|---|-------------------------------------|---|---|
| <u>January 1, 2012</u>                    |                                     |   |   |
| NT\$3,250,000                             | 2012.11.20                          | 2.455%-2.510%                           | 0.861%                                      |

### Cash Flow Hedges

The Company's hedge strategy is to enter foreign exchange forward contracts to avoid firm commitment of its exchange rate exposure. When forecast sales and purchases actually take place, the carrying amounts of the non-financial hedged items will be adjusted accordingly.

The terms of the foreign exchange forward contracts had been negotiated to match the terms of the respective designated hedged items. The outstanding foreign exchange forward contracts of the Company at the end of the reporting period were as follows:

|                                | <b>Currencies</b> | <b>Contract Expiration<br/>Date</b> | <b>Contract Amount<br/>(In Thousands)</b> |
|--------------------------------|-------------------|-------------------------------------|---|
| <u>December 31, 2012</u>       |                   |                                     |   |
| Buy forward exchange contracts | EUR to NTD        | 2013.03.15-2013.04.15               | EUR6,695/NTD257,945                       |
| <u>January 1, 2012</u>         |                   |                                     |   |
| Buy forward exchange contracts | EUR to NTD        | 2013.03.15-2013.04.15               | EUR6,695/NTD257,945                       |

The Company signed foreign exchange forward contracts to avoid its exchange rate exposure due to the equipment purchase contracts signed with foreign suppliers. Those foreign exchange forward contracts were designated as cash flow hedges. During the years ended December 31, 2013 and 2012, fair value gain of NT\$287 thousand and loss of NT\$3,858 thousand, respectively, had been recognized in other comprehensive income due to the valuation adjustments of the foreign exchange forward contracts for the exchange rate exposure of expected future equipment purchase. The equipment purchase occurred in April 2013; at that time the amounts originally deferred and recognized in equity were reclassified to book value of property, plant and equipment.

## 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

|  | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012     |
|--|----------------------|----------------------|---------------------|
| <u>Notes receivable</u>                |                      |                      |                     |
| Notes receivable                       | \$ 31,149            | \$ 51,243            | \$ 48,233           |
| Notes receivable from related parties  | <u>2,981</u>         | <u>3,320</u>         | <u>3,204</u>        |
|  | <u>\$ 34,130</u>     | <u>\$ 54,563</u>     | <u>\$ 51,437</u>    |
| <u>Trade receivables</u>               |                      |                      |                     |
| Trade receivables                      | \$ 1,705,109         | \$ 1,955,086         | \$ 1,826,332        |
| Less: Allowance for impairment loss    | <u>-</u>             | <u>(23)</u>          | <u>(9,056)</u>      |
|  | 1,705,109            | 1,955,063            | 1,817,276           |
| Trade receivables from related parties | <u>742,514</u>       | <u>974,725</u>       | <u>859,668</u>      |
|  | <u>\$ 2,447,623</u>  | <u>\$ 2,929,788</u>  | <u>\$ 2,676,944</u> |

The average credit period on sales of goods was 60 days. In determining the collectibility of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss based on estimated uncollectible amounts determined by reference to age of receivables, past default experience of the counterparties and an analysis of their current financial position.

The concentration of credit risk was limited due to the fact that the customer base was large and unrelated.

Age of receivables was as follows:

|                   | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012     |
|-------------------|----------------------|----------------------|---------------------|
| Not overdue       | \$ 2,204,954         | \$ 2,692,308         | \$ 2,490,392        |
| Less than 90 days | 34,087               | 237,487              | 186,685             |
| 91-180 days       | -                    | -                    | 8,367               |
| 181-365 days      | <u>208,582</u>       | <u>16</u>            | <u>556</u>          |
|                   | <u>\$ 2,447,623</u>  | <u>\$ 2,929,811</u>  | <u>\$ 2,686,000</u> |

Above analysis was based on the past due date.

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

|   | 2013        | 2012           |
|---|-------------|----------------|
| Balance at January 1                            | \$ 23       | \$ 9,056       |
| Less: Reversal of allowance for impairment loss | <u>(23)</u> | <u>(9,033)</u> |
| Balance at December 31                          | <u>\$ -</u> | <u>\$ 23</u>   |

## 11. INVENTORIES

|                                | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012     |
|--------------------------------|----------------------|----------------------|---------------------|
| Raw materials                  | \$ 1,198,480         | \$ 1,921,101         | \$ 2,059,255        |
| Raw materials in transit       | 664,716              | 849,273              | 3,312,587           |
| Supplies                       | 402,043              | 240,062              | 228,503             |
| Work-in-process                | 765,269              | 793,578              | 826,243             |
| Finished goods and merchandise | 2,008,081            | 2,215,865            | 2,898,945           |
| Contracts in progress          | <u>6,756</u>         | <u>188,252</u>       | <u>4,414</u>        |
|                                | <u>\$ 5,045,345</u>  | <u>\$ 6,208,131</u>  | <u>\$ 9,329,947</u> |

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2013 and 2012 was NT\$63,518,092 thousand and NT\$64,914,514 thousand, respectively.

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2013 and 2012, respectively, included NT\$31,742 thousand and NT\$258,147 thousand reversal of write-downs of inventories. Previous write-downs had been reversed as a result of increased selling prices in inventories.

Contracts in progress of the manufacturing industry included construction costs of cable and wire installation projects not completed as of the balance sheet dates.

## 12. FINANCIAL ASSETS MEASURED AT COST

|  | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012     |
|--|----------------------|----------------------|---------------------|
| Domestic unlisted common shares                                |                      |                      |                     |
| Kuong Tai Welding Ind. Co., Ltd.                               | \$ 101,548           | \$ 101,548           | \$ 101,548          |
| Taiwan High Speed Rail Corp.                                   | 134,000              | 134,000              | 134,000             |
| Powertec Energy Corp.  | 205,706              | -                    | 329,478             |
| Dachien Investing Corp.  | -                    | -                    | 550,000             |
| Others   | <u>107,503</u>       | <u>164,093</u>       | <u>150,652</u>      |
|  | <u>\$ 548,757</u>    | <u>\$ 399,641</u>    | <u>\$ 1,265,678</u> |
| Classified according to financial asset measurement categories |                      |                      |                     |
| Available-for-sale financial assets                            | <u>\$ 548,757</u>    | <u>\$ 399,641</u>    | <u>\$ 1,265,678</u> |

To reorganize the investment structure of the group, Dachien Investing Corp. and Win Investment Inc. were merged into Chin-Xin Investment Co., Ltd. in November 2012. Chin-Xin Investment Co., Ltd. was the surviving company. Every share of Dachien Investing Corp. was converted into 0.950743 share of Chin-Xin investment Co., Ltd. The book value of Dachien Investing Corp.'s shares originally held by the Company was recorded as the carrying value of investment in Chin-Xin Investment Co, Ltd.

Powertec Energy Corp. shares held by the Company had been recorded as “financial assets measured at cost - noncurrent”. On December 31, 2012, the Company increased ownership percentage of Powertec Energy Corp. due to Chin-Xin investment Co., Ltd. merger with Dachien Investing Corp. and Win Investment Inc. and gained significant influence on the investee; thus, the financial asset has been transferred to “investments accounted for using equity method”. On November 27, 2013, the Company sold parts of its interest in Chin-Xin and lost control but still had significant influence. While Chin-Xin was excluded from consolidation, the Company lost significant influence on Powertec Energy Corp; thus, in November 2013, the financial asset has been transferred back to “financial assets measured at cost - noncurrent”.

Jinhan Optoelectronics Material Co., Ltd. was held by the Company. In order to improve the operational efficiency, on May 28, 2013, the board of directors of Jinhan Optoelectronics Material Co., Ltd. approved to merge with Crystal Applied Technology Inc. The merger was effective on August 1, 2013. Crystal Applied Technology Inc. is the surviving company and Jinhan Optoelectronics Material Co., Ltd. is the dissolved company. Every two shares of Jinhan Optoelectronics Material Co., Ltd. converted into one share of Crystal Applied Technology Inc. The Company had sold 1,700,617 shares of Crystal Applied Technology Inc. to third parties at market value on the Taiwan Stock Exchange in the year ended December 31, 2013 that resulted in net gain of NT\$5,020 thousand which was recorded as gain on disposal of investment for the year ended December 31, 2013.

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

The Company recognized impairment loss on financial assets measured at cost of NT\$538,000 thousand for the year ended December 31, 2013, after appropriate evaluation.

### 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

|                             | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012      |
|-----------------------------|----------------------|----------------------|----------------------|
| Investments in subsidiaries | \$ 31,682,852        | \$ 32,199,559        | \$ 37,197,152        |
| Investments in associates   | <u>14,923,717</u>    | <u>14,724,148</u>    | <u>14,846,467</u>    |
|                             | <u>\$ 46,606,569</u> | <u>\$ 46,923,707</u> | <u>\$ 52,043,619</u> |

#### a. Investments in subsidiaries

| Name of Associate                  | December 31, 2013    |                      | December 31, 2012    |                      | January 1, 2012      |                      |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                    | Carrying Value       | Ownership Percentage | Carrying Value       | Ownership Percentage | Carrying Value       | Ownership Percentage |
| Unlisted companies:                |                      |                      |                      |                      |                      |                      |
| Walsin Lihwa Holdings Limited      | \$ 10,195,575        | 100.00               | \$ 9,001,744         | 100.00               | \$ 9,979,198         | 100.00               |
| Concord Industries Limited         | 13,553,839           | 100.00               | 11,373,316           | 100.00               | 14,011,842           | 100.00               |
| Energy Pilot Limited               | 1,651,715            | 100.00               | 1,419,149            | 100.00               | 1,106,720            | 100.00               |
| Market Pilot Limited               | 690,172              | 100.00               | 2,585,122            | 100.00               | 3,594,934            | 100.00               |
| Chin-Cherng Construction Co., Ltd. | 3,006,206            | 99.09                | 2,920,677            | 98.60                | 2,183,864            | 98.60                |
| Joint Success Enterprises Limited  | 2,006,027            | 49.05                | 1,986,952            | 49.05                | 1,207,382            | 49.05                |
| Chin-Xin Investment Co., Ltd.      | -                    | -                    | 2,336,799            | 43.93                | 3,220,600            | 100.00               |
| Others                             | <u>579,318</u>       |                      | <u>575,800</u>       |                      | <u>1,892,612</u>     |                      |
|                                    | <u>\$ 31,682,852</u> |                      | <u>\$ 32,199,559</u> |                      | <u>\$ 37,197,152</u> |                      |

## b. Investments in associates

| Name of Associate                 | December 31, 2013    |                      | December 31, 2012    |                      | January 1, 2012      |                      |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                   | Carrying Value       | Ownership Percentage | Carrying Value       | Ownership Percentage | Carrying Value       | Ownership Percentage |
| Listed companies:                 |                      |                      |                      |                      |                      |                      |
| Winbond Electronics Corp.         | \$ 8,192,573         | 23.26                | \$ 7,689,229         | 23.28                | \$ 8,181,331         | 23.32                |
| Walton Advanced Engineering, Inc. | 1,499,566            | 21.90                | 1,414,596            | 21.81                | 1,478,432            | 21.81                |
| Walsin Technology Corp.           | 2,373,592            | 18.11                | 2,325,912            | 18.11                | 2,613,773            | 18.11                |
| Hannstar Board Corp.              | -                    | -                    | 1,804,827            | 16.71                | 1,750,598            | 16.71                |
| Unlisted companies:               |                      |                      |                      |                      |                      |                      |
| Chin-Xin Investment Co., Ltd.     | 2,218,733            | 37.00                | -                    | -                    | -                    | -                    |
| Others                            | 639,253              |                      | 1,489,584            |                      | 822,333              |                      |
|                                   | <u>\$ 14,923,717</u> |                      | <u>\$ 14,724,148</u> |                      | <u>\$ 14,846,467</u> |                      |

Publicly traded investments accounted for using the equity method were priced based on the closing price of those investments at the balance sheet date and were summarized as follows:

|                                   | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012     |
|-----------------------------------|----------------------|----------------------|---------------------|
| Winbond Electronics Corp.         | <u>\$ 6,864,732</u>  | <u>\$ 4,333,362</u>  | <u>\$ 3,603,984</u> |
| Walton Advanced Engineering, Inc. | <u>\$ 1,173,024</u>  | <u>\$ 920,878</u>    | <u>\$ 1,052,432</u> |
| Walsin Technology Corp.           | <u>\$ 1,000,014</u>  | <u>\$ 888,762</u>    | <u>\$ 1,008,764</u> |
| Hannstar Board Corp.              | <u>\$ -</u>          | <u>\$ 1,006,168</u>  | <u>\$ 895,222</u>   |

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

|  | December 31,<br>2013 | December 31,<br>2012           | January 1, 2012       |
|--|----------------------|--------------------------------|-----------------------|
| Total assets   | <u>\$ 96,977,483</u> | <u>\$ 123,000,197</u>          | <u>\$ 115,805,994</u> |
| Total liabilities                                      | <u>\$ 33,758,494</u> | <u>\$ 53,135,501</u>           | <u>\$ 46,380,438</u>  |
|  |                      | For the Year Ended December 31 |                       |
|  |                      | 2013                           | 2012                  |
| Revenue  |                      | <u>\$ 40,681,272</u>           | <u>\$ 41,100,650</u>  |
| Loss for the period                                    |                      | <u>\$ (7,157,616)</u>          | <u>\$ (3,711,904)</u> |
| Other comprehensive income                             |                      | <u>\$ 2,570,380</u>            | <u>\$ -</u>           |
| Share of profit or loss of subsidiaries and associates |                      | <u>\$ (214,485)</u>            | <u>\$ (737,579)</u>   |

Ally Energy was incorporated in March 2010 as an investment holding company. The Company and Solarion AG entered into a contract for the Company to buy 2,897,174 common shares of Solarion AG (approximately 49% equity) for EUR40,000 thousand via Ally Energy in October 2010. Solarion AG was engaged in solar module assembly. The solar energy industry was in doldrums in recently years; Solarion AG postponed the progress of its production and failed to successfully obtain follow-up working capital that lead to operating difficulties. After proper assessment, the Company recognized impairment loss of approximately NT\$1.28 billion, recorded as non-operating expenses and losses - impairment losses for the year ended December 31, 2012.

The Company had sold 1,236 thousand shares of Walsin Technology Corp. and 20,910 thousand shares of Hannstar Board Corp. to third parties at market value on the Taiwan Stock Exchange in the year ended December 31, 2012 that resulted in net loss of NT\$20,944 thousand and NT\$194,768 thousand which was recorded as loss on disposal of investment for the year ended December 31, 2012.

To reorganize the investment structure of its group, the Company sold parts of its interest in Chin-Xin investment Co., Ltd. at fair value in 2013 and 2012; please refer to Note 25. After the disposal of Chin-Xin investment Co., Ltd., the Company lost control and thus remeasured the remaining shares of Chin-Xin investment Co., Ltd. at fair value and transferred it to “investment accounted for using equity method”. The difference between the book value and the fair value of the remaining shares of Chin-Xin investment Co., Ltd. on the disposal date was NT\$574,443 thousand loss which were recorded as loss on disposal of investment.

The Company’s share of profit and other comprehensive income of associates for the years ended December 31, 2013 and 2012 was based on the associates’ financial statements audited by independent accountants for the same period. The financial statements for the years ended December 31, 2013 and 2012 of certain equity-method investees were audited by other independent accountants. The Solarion AG’s 2012 financial statements were not audited. The investments in such investee amounted to NT\$3,245,628 thousand, NT\$2,858,516 thousand and NT\$2,732,915 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively; investment gain amounted to NT\$92,389 thousand and investment loss amounted to NT\$53,424 thousand for the years ended December 31, 2013 and 2012. As of September 30, 2012, the Company lost the significant influence on Solarion AG’s so the Company did not recognize investment gain or loss on Solarion AG for the fourth quarter of 2012.

#### 14. PROPERTY, PLANT AND EQUIPMENT

|  | Land                | Buildings and Improvements | Machinery and Equipment | Other Equipment     | Prepayments for Purchase of Equipment and Construction in Progress | Total                |
|--|---------------------|----------------------------|-------------------------|---------------------|--|----------------------|
| <u>Cost</u>                                    |                     |                            |                         |                     |  |                      |
| Balance at January 1, 2012                     | \$ 2,128,299        | \$ 4,817,977               | \$ 11,479,472           | \$ 3,197,583        | \$ 786,043   | \$ 22,409,374        |
| Additions                                      | 34,017              | 50,999                     | 190,680                 | 85,404              | 3,762,453  | 4,123,553            |
| Disposals                                      | -                   | -                          | (269,083)               | (73,309)            | (20,529)   | (362,921)            |
| Reclassified                                   | -                   | 15,331                     | 24,190                  | 31,753              | (71,274)   | -                    |
| Transfer to other assets                       | -                   | -                          | -                       | -                   | (66)   | (66)                 |
| Balance at December 31, 2012                   | <u>\$ 2,162,316</u> | <u>\$ 4,884,307</u>        | <u>\$ 11,425,259</u>    | <u>\$ 3,241,431</u> | <u>\$ 4,456,627</u>  | <u>\$ 26,169,940</u> |
| <u>Accumulated depreciation and impairment</u> |                     |                            |                         |                     |  |                      |
| Balance at January 1, 2012                     | \$ 16,000           | \$ 2,970,506               | \$ 8,202,963            | \$ 2,611,063        | \$ -   | \$ 13,800,532        |
| Disposals                                      | -                   | -                          | (144,620)               | (59,607)            | -  | (204,227)            |
| Reclassified                                   | -                   | -                          | 6,239                   | (6,239)             | -  | -                    |
| Depreciation expense                           | -                   | 209,658                    | 542,490                 | 143,159             | -  | 895,307              |
| Impairment losses recognized in profit or loss | -                   | -                          | 132,674                 | 16,194              | -  | 148,868              |
| Balance at December 31, 2012                   | <u>\$ 16,000</u>    | <u>\$ 3,180,164</u>        | <u>\$ 8,739,746</u>     | <u>\$ 2,704,570</u> | <u>\$ -</u>  | <u>\$ 14,640,480</u> |
| Carrying amounts at January 1, 2012            | <u>\$ 2,112,299</u> | <u>\$ 1,847,471</u>        | <u>\$ 3,276,509</u>     | <u>\$ 586,520</u>   | <u>\$ 786,043</u>  | <u>\$ 8,608,842</u>  |
| Carrying amounts at December 31, 2012          | <u>\$ 2,146,316</u> | <u>\$ 1,704,143</u>        | <u>\$ 2,685,513</u>     | <u>\$ 536,861</u>   | <u>\$ 4,456,627</u>  | <u>\$ 11,529,460</u> |
| <u>Cost</u>                                    |                     |                            |                         |                     |  |                      |
| Balance at January 1, 2013                     | \$ 2,162,316        | \$ 4,884,307               | \$ 11,425,259           | \$ 3,241,431        | \$ 4,456,627   | \$ 26,169,940        |
| Additions                                      | 60                  | 170,016                    | 684,810                 | 292,904             | 107,995  | 1,255,785            |
| Disposals                                      | (15,254)            | (5,887)                    | (950,034)               | (178,500)           | (1,569)  | (1,151,244)          |
| Reclassified                                   | -                   | 733,725                    | 3,253,619               | 311,570             | (4,298,914)  | -                    |
| Balance at December 31, 2013                   | <u>\$ 2,147,122</u> | <u>\$ 5,782,161</u>        | <u>\$ 14,413,654</u>    | <u>\$ 3,667,405</u> | <u>\$ 264,139</u>  | <u>\$ 26,274,481</u> |

(Continued)



|   | Land                | Buildings and Improvements | Machinery and Equipment | Other Equipment     | Prepayments for Purchase of Equipment and Construction in Progress | Total                |
|---|---------------------|----------------------------|-------------------------|---------------------|--|----------------------|
| <u>Accumulated depreciation and impairment</u>              |                     |                            |                         |                     |  |                      |
| Balance at January 1, 2013                                  | \$ 16,000           | \$ 3,180,164               | \$ 8,739,746            | \$ 2,704,570        | \$ -   | \$ 14,640,480        |
| Disposals   | (4,000)             | (4,879)                    | (885,326)               | (158,214)           | -  | (1,052,419)          |
| Impairment losses recognized in profit or loss              | -                   | 1,325                      | 52,953                  | 23,540              | -  | 77,818               |
| Reversals of impairment losses recognized in profit or loss | -                   | -                          | (14,377)                | (1,243)             | -  | (15,620)             |
| Depreciation expense  | -                   | 212,387                    | 550,312                 | 141,756             | -  | 904,455              |
| Reclassified  | -                   | -                          | 976                     | (976)               | -  | -                    |
| Balance at December 31, 2013                                | <u>\$ 12,000</u>    | <u>\$ 3,388,997</u>        | <u>\$ 8,444,284</u>     | <u>\$ 2,709,433</u> | <u>\$ -</u>  | <u>\$ 14,554,714</u> |
| Carrying amounts at December 31, 2013                       | <u>\$ 2,135,122</u> | <u>\$ 2,393,164</u>        | <u>\$ 5,969,370</u>     | <u>\$ 957,972</u>   | <u>\$ 264,139</u>  | <u>\$ 11,719,767</u> |

(Concluded)

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

|                            |            |
|----------------------------|------------|
| Buildings and improvements | 3-50 years |
| Machinery and equipment    | 3-20 years |
| Other equipment            | 3-15 years |

The Company's main building and electrical and mechanical power equipment are depreciated over their estimated useful lives of 50 years and 20 years, respectively.

The Company owns parcels of land which were registered in the name of certain individuals because of certain regulatory restrictions. To secure its ownership of such parcels of land, the Company keeps in its possession the land titles with the annotation of being pledged to the Company. As of December 31, 2013, December 31, 2012 and January 1, 2012, the recorded total carrying value of such parcels of land amounted to NT\$438,960 thousand, NT\$438,960 thousand and NT\$404,960 thousand, respectively.

The Company recognized impairment loss on property, plant and equipment of NT\$62,198 thousand, which was recorded as impairment loss for the year ended December 31, 2013, after appropriate evaluation.

## 15. INVESTMENT PROPERTIES

|                               | December 31, 2013   | December 31, 2012   | January 1, 2012     |
|-------------------------------|---------------------|---------------------|---------------------|
| Completed investment property | <u>\$ 9,147,563</u> | <u>\$ 9,293,983</u> | <u>\$ 9,440,404</u> |



|  | <b>Completed<br/>Investment<br/>Property</b> |
|--|--|
| <u>Cost</u>                                    |  |
| Balance at January 1, 2012                     | <u>\$ 9,772,725</u>                          |
| Balance at December 31, 2012                   | <u>\$ 9,772,725</u>                          |
| Balance at January 1, 2013                     | <u>\$ 9,772,725</u>                          |
| Balance at December 31, 2013                   | <u>\$ 9,772,725</u>                          |
| <u>Accumulated depreciation and impairment</u> |  |
| Balance at January 1, 2012                     | \$ 332,321                                   |
| Depreciation expense                           | <u>146,421</u>                               |
| Balance at December 31, 2012                   | <u>\$ 478,742</u>                            |
| Balance at January 1, 2013                     | \$ 478,742                                   |
| Depreciation expense                           | <u>146,420</u>                               |
| Balance at December 31, 2013                   | <u>\$ 625,162</u>                            |

The completed investment properties are depreciated under straight-line method over 20 to 50 years.

The main investment properties of the Company are the Walsin Xin Yi Building. The building valuation was commissioned by independent rating agencies (a third party). As of December 31, 2013, December 31, 2012 and January 1, 2012, the completed investment properties' real estate value was NT\$26,168,540 thousand, NT\$24,682,773 thousand and NT\$24,502,090 thousand. The valuation was made by reference to market evidence of real estate transaction prices.

## 16. BORROWINGS

|                                    | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|------------------------------------|------------------------------|------------------------------|------------------------|
| Short-term bank borrowings         | <u>\$ 4,980,073</u>          | <u>\$ 7,360,812</u>          | <u>\$ 8,257,646</u>    |
| Current portion of long-term debts | <u>\$ -</u>                  | <u>\$ -</u>                  | <u>\$ 9,500,000</u>    |
| Long-term bank borrowings          | <u>\$ 10,200,000</u>         | <u>\$ 10,200,000</u>         | <u>\$ -</u>            |

- a. Short-term bank borrowings as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

|                             | December 31, 2013 |                     | December 31, 2012 |                     | January 1, 2012 |                     |
|-----------------------------|-------------------|---------------------|-------------------|---------------------|-----------------|---------------------|
|                             | Interest Rate %   | Amount              | Interest Rate %   | Amount              | Interest Rate % | Amount              |
| Materials procurement loans | 0.94-1.25         | \$ 390,073          | 0.86-1.10         | \$ 2,070,812        | 0.82-2.28       | \$ 947,171          |
| Bank lines of credit        | 1.19-1.34         | <u>4,590,000</u>    | 1.13-1.43         | <u>5,290,000</u>    | 0.08-1.28       | <u>7,310,475</u>    |
|                             |                   | <u>\$ 4,980,073</u> |                   | <u>\$ 7,360,812</u> |                 | <u>\$ 8,257,646</u> |

- b. Long-term bank borrowings as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

|   | Significant Covenant   | December 31, 2013 |                      | December 31, 2012    | January 1, 2012  |
|---|--|-------------------|----------------------|----------------------|------------------|
|   |  | Rate              | Amount               | Amount               | Amount           |
| Bank of Taiwan and others                             | Credit loan; every year to repay the principal at 10%, 10%, 15%, 15%, 50% from the end of the third year from drawing date (August 2012) | 1.59%             | \$ 10,200,000        | \$ 10,200,000        | \$ -             |
| Hong Kong and Shanghai Banking Corporation and others | Credit loan; principal repayments are due at 50% each at the end of the fourth and fifth year from drawing date (November 2007)          |                   | -                    | -                    | 3,500,000        |
| Hua Nan Commercial Bank and others                    | Credit loan; principal repayments are due at 50% each at the end of the fourth and fifth year from drawing date (November 2008)          |                   | -                    | -                    | 6,000,000        |
|   |  |                   | <u>10,200,000</u>    | <u>10,200,000</u>    | <u>9,500,000</u> |
| Less current portion of long-term debts               |  |                   | -                    | -                    | (6,500,000)      |
| Less current portion due to breach of contract        |  |                   | -                    | -                    | (3,000,000)      |
|   |  |                   | <u>\$ 10,200,000</u> | <u>\$ 10,200,000</u> | <u>\$ -</u>      |

Under the loan agreements, the Company should maintain certain financial ratios calculated on annual and semi-annual financial statements audited by independent auditors, during the loan term. The financial ratios are as follows:

- 1) Ratio of current assets to current liabilities not less than 100%;
- 2) Ratio of total liabilities less cash and cash equivalents to tangible net worth not more than 120%;
- 3) Ratio of net income before interest expenses, taxation, depreciation and amortization to interest expenses not less than 150%;
- 4) Tangible net worth (net worth less intangible assets) not less than NT\$50,000,000 thousand.

As of January 1, 2012, the Company's current portion of long-term liabilities was NT\$6,500,000 thousand under the loan agreement, respectively. However, at December 31, 2011, in order to meet the required ratio of net income before interest expenses, taxation, depreciation and amortization to interest expenses, the Company reclassified its long-term debts in the amount of NT\$3,000,000 thousand to current portion of long-term liabilities. The Company had obtained waiver from the banks in May 2012. The Company's financial

reports for the year ended December 31, 2012 and for the years ended December 31, 2013 and 2012 showed that the Company was in compliance with these ratio requirements.

## 17. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Based on the LPA, the Company in ROC make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expense recognized in profit or loss for the years ended December 31, 2013 and 2012 was NT\$58,934 thousand and NT\$62,268 thousand, respectively, which represents contributions payable to these plans by the Company at rates specified in the rules of the plans.

### b. Defined benefit plans

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

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

|                                   | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012 |
|-----------------------------------|----------------------|----------------------|-----------------|
| Discount rate                     | 1.75%                | 1.75%                | 1.70%           |
| Expected return on plan assets    | 2.00%                | 2.00%                | 2.00%           |
| Expected rates of salary increase | 2.00%                | 2.00%                | 2.00%           |

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

|                                | 2013             | 2012             |
|--------------------------------|------------------|------------------|
| Current service cost           | \$ 18,062        | \$ 19,754        |
| Interest cost                  | 22,944           | 22,701           |
| Expected return on plan assets | (128)            | (41)             |
| Past service cost              | <u>(480)</u>     | <u>(480)</u>     |
|                                | <u>\$ 40,398</u> | <u>\$ 41,934</u> |

|                                   | <b>2013</b>      | <b>2012</b>      |
|-----------------------------------|------------------|------------------|
| <u>An analysis by function</u>    |                  |                  |
| Operating cost                    | \$ 23,801        | \$ 24,435        |
| Marketing expenses                | 2,950            | 2,405            |
| Administration expenses           | 13,601           | 15,047           |
| Research and development expenses | <u>46</u>        | <u>47</u>        |
|                                   | <u>\$ 40,398</u> | <u>\$ 41,934</u> |

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012 were NT\$82,406 thousand and NT\$26,525 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2013 and 2012 was gains NT\$55,881 thousand and losses NT\$26,525 thousand, respectively.

The amount included in the balance sheets for the Company's obligation in respect of its defined benefit plans was as follows:

|   | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|---|------------------------------|------------------------------|------------------------|
| Present value of funded defined benefit obligation    | \$ 1,199,723                 | \$ 1,333,584                 | \$ 1,305,693           |
| Fair value of plan assets                             | <u>(7,074)</u>               | <u>(15,408)</u>              | <u>(3,026)</u>         |
| Deficit   | 1,192,649                    | 1,318,176                    | 1,302,667              |
| Past service cost not yet recognized                  | <u>5,455</u>                 | <u>5,935</u>                 | <u>6,415</u>           |
| Net liability arising from defined benefit obligation | <u>\$ 1,198,104</u>          | <u>\$ 1,324,111</u>          | <u>\$ 1,309,082</u>    |

As of December 31, 2013, December 31, 2012 and January 1, 2012, accrued pension cost of NT\$1,060 thousand, NT\$972 thousand and NT\$1,031 thousand, respectively, was recorded as "other payables - accrued expense."

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

|                                    | <b>For the Year Ended December 31</b> |                     |
|------------------------------------|---------------------------------------|---------------------|
|                                    | <b>2013</b>                           | <b>2012</b>         |
| Opening defined benefit obligation | \$ 1,333,584                          | \$ 1,305,693        |
| Current service cost               | 18,062                                | 19,754              |
| Interest cost                      | 22,944                                | 22,701              |
| Actuarial (gains) losses           | (82,459)                              | 26,533              |
| Benefits paid                      | (65,603)                              | (38,505)            |
| Account paid                       | <u>(26,805)</u>                       | <u>(2,592)</u>      |
| Closing defined benefit obligation | <u>\$ 1,199,723</u>                   | <u>\$ 1,333,584</u> |

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

|                                   | <b>For the Year Ended December 31</b> |                  |
|-----------------------------------|---------------------------------------|------------------|
|                                   | <b>2013</b>                           | <b>2012</b>      |
| Opening fair value of plan assets | \$ 15,408                             | \$ 3,026         |
| Expected return on plan assets    | 128                                   | 41               |
| Actuarial gains (losses)          | (53)                                  | 8                |
| Contributions from the employer   | 57,194                                | 50,838           |
| Plan assets paid                  | <u>(65,603)</u>                       | <u>(38,505)</u>  |
| Closing fair value of plan assets | <u>\$ 7,074</u>                       | <u>\$ 15,408</u> |

The major categories of plan assets at the end of the reporting period were disclosed based on the information announced by the Labor Pension Fund Supervisory Committee.

The overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, with reference to the use of the Labor Pension Fund by the Labor Pension Fund Supervisory Committee, taking into consideration the effect of possible differences between the guaranteed minimum income and the return on local banks' two-year time deposits.

## 18. EQUITY

|                   | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|-------------------|------------------------------|------------------------------|------------------------|
| Share capital     |                              |                              |                        |
| Common shares     | \$ 35,760,002                | \$ 36,160,002                | \$ 36,160,002          |
| Capital surplus   | 15,629,054                   | 15,742,724                   | 15,724,835             |
| Retained earnings | 7,758,681                    | 10,417,431                   | 13,882,463             |
| Others            | 823,535                      | (3,615,988)                  | (2,580,595)            |
| Treasury shares   | <u>-</u>                     | <u>(1,055,961)</u>           | <u>(769,842)</u>       |
|                   | <u>\$ 59,971,272</u>         | <u>\$ 57,648,208</u>         | <u>\$ 62,416,863</u>   |

### a. Share capital

#### Common shares

|   | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|---|------------------------------|------------------------------|------------------------|
| Number of shares authorized (in thousands)            | <u>6,500,000</u>             | <u>6,500,000</u>             | <u>6,500,000</u>       |
| Amount of authorized shares                           | <u>\$ 65,000,000</u>         | <u>\$ 65,000,000</u>         | <u>\$ 65,000,000</u>   |
| Number of shares issued and fully paid (in thousands) | <u>3,576,001</u>             | <u>3,616,001</u>             | <u>3,616,001</u>       |
| Amount of issued shares                               | <u>\$ 35,760,002</u>         | <u>\$ 36,160,002</u>         | <u>\$ 36,160,002</u>   |

As of December 31, 2012 and January 1, 2012, the balance of the Company's capital account was NT\$36,160,002 thousand, divided into 3,616,001 thousand shares at NT\$10.00 par value.

The Company cancelled 40,000 thousand shares treasury stock in June 2013. As of December 31, 2013, the balance of the Company's capital account was NT\$35,760,002 thousand, divided into 3,576,001 thousand shares at NT\$10.00 par value.

b. Capital surplus

|   | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012      |
|---|----------------------|----------------------|----------------------|
| Arising from issuance of common shares                        | \$ 10,938,230        | \$ 11,060,582        | \$ 11,042,685        |
| Arising from treasury share transactions                      | 1,589,157            | 1,580,468            | 1,580,468            |
| Arising from gain on disposal of property plant and equipment | 2,074,231            | 2,074,231            | 2,074,231            |
| Others  | <u>1,027,436</u>     | <u>1,027,443</u>     | <u>1,027,451</u>     |
|   | <u>\$ 15,629,054</u> | <u>\$ 15,742,724</u> | <u>\$ 15,724,835</u> |

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

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

c. Retained earnings and dividend policy

Based on the Company Law of the ROC and the Company's Articles of Incorporation, 10% of the Company's annual earnings, net of tax and any deficit, should be appropriated as legal reserve until this reserve equals the Company's paid-in capital. Also, the Company appropriated earnings to special reserve based on the applicable laws and regulations.

Any remaining balance of distributable earnings, unless it will be retained partially by the Company or resolved otherwise by the stockholders, should be appropriated in the following order:

- 1) 91.5% as dividends;
- 2) 3% as bonus to employees;
- 3) 1.5% as remuneration to directors and supervisors; and
- 4) All or part of the remainder as special reserve.

Due to deficit at December 31, 2013 and 2012, the Company did not accrue for bonus to employees and remuneration to directors and supervisors for the years ended December 31, 2013 and 2012. Material differences between such estimated amounts and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the

stockholders' meeting.

Under Rule No. 100116 and Rule No. 0950000507 issued by the FSC, an amount equal to the net debit balance of certain shareholders' equity accounts (including unrealized revaluation increment, unrealized gain or loss on financial instruments, net loss not recognized as pension cost, cumulative translation adjustments) shall be transferred from unappropriated earnings to special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

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

The stockholders of the Company approved the reversal of special reserve in the amount of NT\$2,354,409 thousand under Rule No. 100116 issued by the FSC and used the special reserve of NT\$368,627 thousand to offset deficit on June 12, 2012. There were no available earnings for distribution after offset of deficit at the end of year.

The stockholders of the Company approved the reversal of special reserve in the amount of NT\$794,296 thousand under Rule No. 100116 issued by the FSC and also approved to use special reserve of NT\$1,136,328 thousand and legal reserve of NT\$2,986,426 thousand to offset deficit on June 11, 2013. There were no available earnings for distribution after offset of deficit at the end of year.

The appropriation of 2012 earnings was based on the Company's financial statements which were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the Financial Supervisory Commission of the Republic of China and ROC GAAP and were also based on the Company's Balance Sheets prepared in accordance with the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the Financial Supervisory Commission of the Republic of China and IFRSs.

On March 5, 2014, the board of directors approved not to make distribution from 2013 earnings except to make up for deficit for the year. The 2013 offset of deficit will be resolved in the shareholders meeting scheduled on June 11, 2014.

Information on the bonus to employees directors and supervisors proposed by the stockholders of the Company is available on the Market Observation Post System (MOPS) on the web site of the Taiwan Stock Exchange.

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

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

|                 | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|-----------------|------------------------------|------------------------------|------------------------|
| Special reserve | <u>\$ 2,713,159</u>          | <u>\$ -</u>                  | <u>\$ -</u>            |

Information regarding the above special reserve was as follows:

|   | <b>December 31,<br/>2013</b> |
|---|------------------------------|
| Balance at December 31, 2012 and January 1, 2012                              | \$ -                         |
| Appropriation on January 1, 2013  | 2,933,130                    |
| Reversed on elimination of the original need to appropriate a special reserve |                              |
| Disposal of associates  | (134,926)                    |
| Disposal of subsidiaries  | <u>(85,045)</u>              |
| Balance at December 31, 2013  | <u>\$ 2,713,159</u>          |

## e. Other equity items

## 1) Foreign currency translation reserve

|  | <b>2013</b>       | <b>2012</b>           |
|--|-------------------|-----------------------|
| Balance at January 1   | \$ (1,478,713)    | \$ -                  |
| Share of exchange difference of associates accounted for using the equity method | 1,761,012         | (1,478,713)           |
| Disposal of associates accounted for using the equity method                     | (18,051)          | -                     |
| Disposal of subsidiaries   | <u>53,018</u>     | <u>-</u>              |
| Balance at December 31   | <u>\$ 317,266</u> | <u>\$ (1,478,713)</u> |

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



2) Investments revaluation reserve

|  | <b>2013</b>       | <b>2012</b>           |
|--|-------------------|-----------------------|
| Balance at January 1   | \$ (2,136,988)    | \$ (2,518,591)        |
| Unrealized gain arising on revaluation of available-for-sale financial assets  | 1,701,228         | 12,769                |
| Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method | 1,138,826         | 368,834               |
| Disposal of associates accounted for using the equity method   | 53,457            | -                     |
| Disposal of subsidiaries   | <u>(250,254)</u>  | <u>-</u>              |
| Balance at December 31   | <u>\$ 506,269</u> | <u>\$ (2,136,988)</u> |

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

3) Cash flow hedging reserve

|   | <b>2013</b> | <b>2012</b>     |
|---|-------------|-----------------|
| Balance at January 1  | \$ (287)    | \$ (62,004)     |
| Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges |             |                 |
| Forward foreign exchange contracts  | 287         | (3,858)         |
| Interest rate swaps   | -           | 46,953          |
| Others  | <u>-</u>    | <u>18,622</u>   |
| Balance at December 31  | <u>\$ -</u> | <u>\$ (287)</u> |

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that was recognized and accumulated under the heading cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item.

## f. Treasury shares

Treasury stock transactions for the year ended December 31, 2013 were summarized as follows:

| <b>Purpose of Reacquisition of Common Shares</b>                       | <b>Number of Treasury Shares as of January 1, 2013</b> | <b>Treasury Share Increase During the Period</b> | <b>Treasury Share Decrease During the Period</b> | <b>Number of Treasury Shares as of December 31, 2013</b> |
|--|--|--|--|--|
| Common shares held by the Company as reserve for employees' incentives | 40,000,000   | -  | 40,000,000                                       | -  |
| Common shares held by subsidiaries                                     | <u>102,187,289</u>                                     | <u>-</u>   | <u>102,187,289</u>                               | <u>-</u>   |
|  | <u>142,187,289</u>                                     | <u>-</u>   | <u>142,187,289</u>                               | <u>-</u>   |

Treasury stock transactions for the year ended December 31, 2012 were summarized as follows:

| <b>Purpose for Reacquisition of Common Shares</b>   | <b>Number of Treasury Shares as of January 1, 2012</b> | <b>Treasury Share Increase During the Period</b> | <b>Treasury Share Decrease During the Period</b> | <b>Number of Treasury Shares as of December 31, 2012</b> |
|---|--|--|--|--|
| Common shares held by the Company as reserve for employee incentives                                    | 40,000,000   | -  | -  | 40,000,000   |
| Common shares held by subsidiaries are reclassified from long-term equity investment to treasury stocks | <u>18,966,701</u>                                      | <u>83,220,588</u>                                | <u>-</u>   | <u>102,187,289</u>                                       |
|   | <u>58,966,701</u>                                      | <u>83,220,588</u>                                | <u>-</u>   | <u>142,187,289</u>                                       |

The Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

| <b>Name of Subsidiary</b>     | <b>Number of Shares Held (In Thousands)</b> | <b>Carrying Amount</b> | <b>Market Price</b> |
|-------------------------------|---|------------------------|---------------------|
| <u>December 31, 2012</u>      |   |                        |                     |
| Chin-Xin Investment Co., Ltd. | 102,187,289                                 | <u>\$ 542,298</u>      | <u>\$ 1,013,698</u> |
| <u>January 1, 2012</u>        |   |                        |                     |
| Chin-Xin Investment Co., Ltd. | 18,966,701                                  | <u>\$ 256,179</u>      | <u>\$ 165,390</u>   |

On November 27, 2012, the board of directors approved to merge of Dachien Investing Corp. and Win Investment Inc. and Chin-Xin Investment Co., Ltd. Chin-Xin Investment Co., Ltd. was the surviving company. The merger was effective on December 31, 2012. As of December 31, 2012, Dachien Investing Corp. and Win Investment Inc. held 66,720,538 shares and 16,500,050 shares, respectively, of the Company. After the merger, the shares assumed by Chin-Xin Investment Co., Ltd. were recorded as treasury stock. In November 2013, the Company sold parts of its interest in Chin-Xin and lost control. Chin-Xin was transferred to investments in associates so the Company shares held by Chin-Xin were not accounted for as treasury stocks.

Article 28.2 of the Securities and Exchange Law stipulates that the number of treasury shares held by the Company should not exceed 10% of the number of shares issued and that the cost of acquisition of treasury shares should not exceed the total of retained earnings, additional-paid-in capital and other realized capital surplus. In addition, the Company shall neither pledge treasury stock nor exercise shareholders' rights on these shares, such as rights to dividends and to vote, or exercise other stockholder's rights on the treasury stock.

The Company's stock held by subsidiaries is treated as treasury stock, and the holders are entitled to the rights of shareholders, except for the right to participate in the Company's share issuance for cash and vote in shareholders' meeting.

## 19. REVENUE

|  | <b>For the Year Ended December 31</b> |                      |
|--|---------------------------------------|----------------------|
|  | <b>2013</b>                           | <b>2012</b>          |
| Sales revenue                          | \$ 65,774,983                         | \$ 68,652,071        |
| Revenue from the rendering of services | 50,407                                | 46,595               |
| Construction contract revenue          | 1,160,444                             | 9,097                |
| Rental income from property            | 607,829                               | 518,020              |
| Other revenue                          | <u>65,444</u>                         | <u>57,073</u>        |
|  | <u>\$ 67,659,107</u>                  | <u>\$ 69,282,856</u> |

## 20. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

### Non-operating income and expense-loss on disposal of investment

|   | <b>For the Year Ended December 31</b> |                    |
|---|---------------------------------------|--------------------|
|   | <b>2013</b>                           | <b>2012</b>        |
| Gain (loss) on disposal of investment - commodity futures settled                                 | \$ 980,568                            | \$ (79,627)        |
| Gain on disposal of investments - forward exchange contracts settled                              | 22,280                                | 27,350             |
| Gain on disposal of investments - financial asset measured cost - noncurrent                      | 5,214                                 | 86,260             |
| Gain on disposal of investments - financial assets at fair value through profit or loss - current | 222                                   | -                  |
| Loss on disposal of investment - exchange rate swap contracts settled                             | (4,825)                               | (20,851)           |
| Loss on disposal of investments accounted for using equity method (Note 13)                       | <u>(1,591,667)</u>                    | <u>(105,745)</u>   |
|   | <u>\$ (588,208)</u>                   | <u>\$ (92,613)</u> |

Non-operating income and expense-impairment loss

|   | <b>For the Year Ended December 31</b> |                     |
|---|---------------------------------------|---------------------|
|   | <b>2013</b>                           | <b>2012</b>         |
| Financial assets measured at cost - non-current (Note 12) | \$ 538,000                            | \$ -                |
| Property, plant and equipment                             | 62,198                                | 148,868             |
| Held-to-maturity financial assets - non-current           | -                                     | 227,340             |
| Investment accounted for using equity method (Note 13)    | <u>-</u>                              | <u>1,286,264</u>    |
|   | <u>\$ 600,198</u>                     | <u>\$ 1,662,472</u> |

Employee benefits expense, depreciation and amortization

|                                | <b>For the Year Ended December 31, 2013</b> |                               |   |                     |
|--------------------------------|---|-------------------------------|---|---------------------|
|                                | <b>Operating<br/>Costs</b>                  | <b>Operating<br/>Expenses</b> | <b>Nonoperating<br/>Expenses and<br/>Losses</b> | <b>Total</b>        |
| Short-term employment benefits | <u>\$ 1,035,872</u>                         | <u>\$ 632,212</u>             | <u>\$ -</u>                                     | <u>\$ 1,668,084</u> |
| Post-employment benefits       | <u>\$ 60,984</u>                            | <u>\$ 38,338</u>              | <u>\$ -</u>                                     | <u>\$ 99,322</u>    |
| Other employee benefits        | <u>\$ 94,693</u>                            | <u>\$ 43,623</u>              | <u>\$ -</u>                                     | <u>\$ 138,316</u>   |
| Depreciation                   |   |                               |   |                     |
| Property, plant and equipment  | \$ 774,420                                  | \$ 130,035                    | \$ -  | \$ 904,455          |
| Investment property            | <u>145,453</u>                              | <u>967</u>                    | <u>-</u>  | <u>146,420</u>      |
|                                | <u>\$ 919,873</u>                           | <u>\$ 131,002</u>             | <u>\$ -</u>                                     | <u>\$ 1,050,875</u> |
| Amortization                   | <u>\$ 5,137</u>                             | <u>\$ 588</u>                 | <u>\$ 5,597</u>                                 | <u>\$ 11,322</u>    |

|                                | <b>For the Year Ended December 31, 2012</b> |                               |   |                     |
|--------------------------------|---|-------------------------------|---|---------------------|
|                                | <b>Operating<br/>Costs</b>                  | <b>Operating<br/>Expenses</b> | <b>Nonoperating<br/>Expenses and<br/>Losses</b> | <b>Total</b>        |
| Short-term employment benefits | <u>\$ 976,117</u>                           | <u>\$ 942,796</u>             | <u>\$ -</u>                                     | <u>\$ 1,918,913</u> |
| Post-employment benefits       | <u>\$ 55,913</u>                            | <u>\$ 48,289</u>              | <u>\$ -</u>                                     | <u>\$ 104,202</u>   |
| Other employee benefits        | <u>\$ 82,870</u>                            | <u>\$ 62,216</u>              | <u>\$ -</u>                                     | <u>\$ 145,086</u>   |
| Depreciation                   |   |                               |   |                     |
| Property, plant and equipment  | \$ 734,094                                  | \$ 161,213                    | \$ -  | \$ 895,307          |
| Investment property            | <u>145,453</u>                              | <u>968</u>                    | <u>-</u>  | <u>146,421</u>      |
|                                | <u>\$ 879,547</u>                           | <u>\$ 162,181</u>             | <u>\$ -</u>                                     | <u>\$ 1,041,728</u> |
| Amortization                   | <u>\$ 137</u>                               | <u>\$ 1,754</u>               | <u>\$ 8,716</u>                                 | <u>\$ 10,607</u>    |

## 21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

|   | <b>For the Year Ended December 31</b> |                 |
|---|---------------------------------------|-----------------|
|   | <b>2013</b>                           | <b>2012</b>     |
| Current tax   |                                       |                 |
| In respect of the current year                            | \$ (273,000)                          | \$ (12,000)     |
| In respect of prior periods                               | (79,000)                              | (28,407)        |
| Others  | <u>-</u>                              | <u>(23,593)</u> |
|   | <u>(352,000)</u>                      | <u>(64,000)</u> |
| Deferred tax  |                                       |                 |
| In respect of the current year                            | <u>26,000</u>                         | <u>70,000</u>   |
| Income tax (benefit) expense recognized in profit or loss | <u>\$ (326,000)</u>                   | <u>\$ 6,000</u> |

A reconciliation of accounting profit and income tax expenses, average effective tax rate and the applicable tax rate is as follows:

|   | <b>For the Year Ended December 31</b> |                       |
|---|---------------------------------------|-----------------------|
|   | <b>2013</b>                           | <b>2012</b>           |
| Loss before tax from continuing operations  | <u>\$ (3,014,696)</u>                 | <u>\$ (3,180,541)</u> |
| Income tax expense calculated at the statutory rate   | (512,000)                             | (541,000)             |
| Net gain on disposal of investments   | (226,000)                             | (34,000)              |
| Tax benefits of disposal of land  | (2,000)                               | -                     |
| Equity in investees' net loss   | 468,000                               | 569,000               |
| Dividend income   | (1,000)                               | (6,000)               |
| Deductible temporary differences that unrecognized in previous period but utilized in current | (65,000)                              | (183,000)             |
| Unrecognized deductible temporary differences   | 91,000                                | 253,000               |
| Adjustments for prior years' tax  | (79,000)                              | (28,407)              |
| Others  | <u>-</u>                              | <u>(23,593)</u>       |
| Income tax (benefit) expense recognized in profit or loss                                     | <u>\$ (326,000)</u>                   | <u>\$ 6,000</u>       |

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company.

b. Current tax assets and liabilities

|   | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|---|------------------------------|------------------------------|------------------------|
| Current tax assets  |                              |                              |                        |
| Tax refund receivable (recorded under other non-current assets) | <u>\$ 159,325</u>            | <u>\$ 158,484</u>            | <u>\$ -</u>            |
| Current tax liabilities   |                              |                              |                        |
| Income tax payable  | <u>\$ -</u>                  | <u>\$ 158,704</u>            | <u>\$ 313,676</u>      |

## c. Deferred tax assets and liabilities:

|   | December 31,<br>2013 | December 31,<br>2012 | January 1,<br>2012 |
|---|----------------------|----------------------|--------------------|
| Deferred tax assets (liabilities)   |                      |                      |                    |
| Net operating loss carryforwards  | \$ 687,000           | \$ 379,000           | \$ -               |
| Pension expense not currently deductible  | 232,000              | 227,000              | 222,000            |
| Provision for permanent devaluation loss on long-term investments                           | 72,000               | 76,000               | 448,000            |
| Provision for devaluation loss on obsolete and slow-moving inventories                      | 44,000               | 39,000               | 83,000             |
| Provision for impairment loss on idle assets  | 16,000               | 16,000               | 16,000             |
| Others  | (34,000)             | 33,000               | 35,000             |
| Deferred income tax liabilities   |                      |                      |                    |
| Reserve for land revaluation increment tax  | <u>(131,132)</u>     | <u>(131,132)</u>     | <u>(131,132)</u>   |
|   | <u>\$ 885,868</u>    | <u>\$ 638,868</u>    | <u>\$ 672,868</u>  |
| Deferred income tax assets - noncurrent (recorded under other non-current assets)           | \$ 1,017,000         | \$ 770,000           | \$ 804,000         |
| Deferred income tax liabilities - noncurrent (recorded under other non-current liabilities) | <u>(131,132)</u>     | <u>(131,132)</u>     | <u>(131,132)</u>   |
|   | <u>\$ 885,868</u>    | <u>\$ 638,868</u>    | <u>\$ 672,868</u>  |

## d. The Company's loss carryforwards as of December 31, 2013 for income tax purposes were as follows:

| Expiry Year | December 31,<br>2013<br><u>Net Operating<br/>Loss Tax Credit</u> |
|-------------|--|
| 2022        | \$ 379,000   |
| 2023        | <u>308,000</u>   |
|             | <u>\$ 687,000</u>  |

## e. The information on imputation credit accounts was as follows:

|  | December 31,<br>2013 | December 31,<br>2012 | January 1,<br>2012  |
|--|----------------------|----------------------|---------------------|
| Balance of Imputation Credit Account                           | <u>\$ 1,240,934</u>  | <u>\$ 1,082,211</u>  | <u>\$ 499,499</u>   |
| Unappropriated earnings generated before January 1, 1998       | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>         |
| Unappropriated earnings generated on and after January 1, 1998 | <u>\$ 1,813,125</u>  | <u>\$ 3,856,576</u>  | <u>\$ 4,598,572</u> |

- f. The Company's income tax returns through 2011 had been examined and cleared by the tax authorities.

## 22. LOSS PER SHARE

|                      | For the Year Ended December 31, 2013          |   | For the Year Ended December 31, 2012          |   |
|----------------------|---|---|---|---|
|                      | Amounts<br>(Numerator)                        | Deficit Per<br>Share (In<br>Dollars)          | Amounts<br>(Numerator)                        | Deficit Per<br>Share (In<br>Dollars)          |
|                      | After Income<br>Tax                           | After Income<br>Tax                           | After Income<br>Tax                           | After Income<br>Tax                           |
|                      | (Attributable<br>to Parent's<br>Stockholders) | (Attributable<br>to Parent's<br>Stockholders) | (Attributable<br>to Parent's<br>Stockholders) | (Attributable<br>to Parent's<br>Stockholders) |
|                      | Shares<br>(Denominator)<br>(In Thousands)     |   | Shares<br>(Denominator)<br>(In Thousands)     |   |
| Basic loss per share |   |   |   |   |
| Net loss             | <u>\$ (2,688,696)</u>                         | <u>3,482,329</u>                              | <u>\$ (3,186,541)</u>                         | <u>3,557,094</u>                              |
|                      |   | <u>\$ (0.77)</u>                              |   | <u>\$ (0.90)</u>                              |

## 23. OPERATING LEASE ARRANGEMENTS

- a. The Company as lessee

As of December 31, 2013, the Company's future minimum lease payments on non-cancellable operating lease commitments were as follows:

|               |                   |
|---------------|-------------------|
| Years of 2014 | \$ 15,296         |
| 2015-2019     | 65,230            |
| After 2019    | <u>74,037</u>     |
|               | <u>\$ 154,563</u> |

- b. The Company as lessor

### Lease arrangements

Operating leases relate to the investment property owned by the Company with lease terms between 5 and 10 years, with an option to extend for additional 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

As of December 31, 2013, December 31, 2012 and January 1, 2012, deposits received under operating leases amounted to NT\$152,530 thousand, NT\$140,240 thousand and NT\$119,914 thousand, respectively (recorded under other liabilities - non-current).

As of December 31, 2013, the Company's future minimum lease receivables on non-cancellable operating lease commitments were as follows:

|               |                     |
|---------------|---------------------|
| Years of 2014 | \$ 571,399          |
| 2015-2019     | <u>1,224,414</u>    |
|               | <u>\$ 1,795,813</u> |

## 24. CAPITAL MANAGEMENT

The Company's capital management objective is to ensure it has the necessary financial resources and operational plan so that it can cope with the next twelve months working capital requirements, capital expenditures, debt repayments and dividends spending.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

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

## 25. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the parent company and consolidated subsidiaries had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties were disclosed below.

### a. Sales

|            | <b>For the Year Ended December 31</b> |                     |
|------------|---------------------------------------|---------------------|
|            | <b>2013</b>                           | <b>2012</b>         |
| Associates | <u>\$ 4,979,820</u>                   | <u>\$ 5,355,650</u> |

### b. Rental income

|                       | <b>For the Year Ended December 31</b> |                  |
|-----------------------|---------------------------------------|------------------|
|                       | <b>2013</b>                           | <b>2012</b>      |
| Associates            | \$ 22,379                             | \$ 25,056        |
| Other related parties | <u>1,719</u>                          | <u>1,739</u>     |
|                       | <u>\$ 24,098</u>                      | <u>\$ 26,795</u> |

### c. Purchases

|            | <b>For the Year Ended December 31</b> |                   |
|------------|---------------------------------------|-------------------|
|            | <b>2013</b>                           | <b>2012</b>       |
| Associates | <u>\$ 248,923</u>                     | <u>\$ 472,300</u> |

### d. Construction costs

|            | <b>For the Year Ended December 31</b> |               |
|------------|---------------------------------------|---------------|
|            | <b>2013</b>                           | <b>2012</b>   |
| Associates | <u>\$ -</u>                           | <u>\$ 665</u> |



e. Administrative expenses

|                       | <b>For the Year Ended December 31</b> |                  |
|-----------------------|---------------------------------------|------------------|
|                       | <b>2013</b>                           | <b>2012</b>      |
| Associates            | \$ 11,535                             | \$ 11,971        |
| Other related parties | <u>14,383</u>                         | <u>15,944</u>    |
|                       | <u>\$ 25,918</u>                      | <u>\$ 27,915</u> |

The stock registration matters of the Company and related parties were handled together. The related fees allocated to the related parties were charged against general and administrative expenses.

f. Research and development expense

|            | <b>For the Year Ended December 31</b> |                 |
|------------|---------------------------------------|-----------------|
|            | <b>2013</b>                           | <b>2012</b>     |
| Associates | <u>\$ 5,394</u>                       | <u>\$ 7,739</u> |

g. Notes receivable

|                       | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|-----------------------|------------------------------|------------------------------|------------------------|
| Associates            | \$ 2,981                     | \$ 3,232                     | \$ 2,907               |
| Other related parties | <u>-</u>                     | <u>88</u>                    | <u>297</u>             |
|                       | <u>\$ 2,981</u>              | <u>\$ 3,320</u>              | <u>\$ 3,204</u>        |

h. Trade receivable

|            | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|------------|------------------------------|------------------------------|------------------------|
| Associates | <u>\$ 742,514</u>            | <u>\$ 974,725</u>            | <u>\$ 859,668</u>      |

i. Trade payables

|            | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|------------|------------------------------|------------------------------|------------------------|
| Associates | <u>\$ 213,894</u>            | <u>\$ 36,125</u>             | <u>\$ 7,658</u>        |

## j. Other receivables

|                       | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012  |
|-----------------------|----------------------|----------------------|------------------|
| Associates            | \$ 15,294            | \$ 15,946            | \$ 32,878        |
| Other related parties | <u>2,858</u>         | <u>2,938</u>         | <u>2,568</u>     |
|                       | <u>\$ 18,152</u>     | <u>\$ 18,884</u>     | <u>\$ 35,446</u> |

## k. Other payables

|            | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012  |
|------------|----------------------|----------------------|------------------|
| Associates | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ 68,177</u> |

Trading transactions with related parties do not have significant difference with the general customers.

## l. Property, plant and equipment acquired

|            | <u>Price</u>                          |                 |
|------------|---------------------------------------|-----------------|
|            | <u>For the Year Ended December 31</u> |                 |
|            | 2013                                  | 2012            |
| Associates | <u>\$ 1,899</u>                       | <u>\$ 2,348</u> |

## m. Property, plant and equipment disposed

|                       | <u>For the Year Ended December 31</u> |                  |                 |                  |
|-----------------------|---------------------------------------|------------------|-----------------|------------------|
|                       | 2013                                  |                  | 2012            |                  |
| Related Parties Types | Price                                 | Gain on Disposal | Price           | Gain on Disposal |
| Associates            | <u>\$ 23,171</u>                      | <u>\$ 23,026</u> | <u>\$ 6,874</u> | <u>\$ 1,609</u>  |

## n. Financial assets acquired

For the year ended December 31, 2013

| Related Parties Types | Account Items                                | Number of Shares | Underlying Assets | Price           |
|-----------------------|--|------------------|-------------------|-----------------|
| Other related parties | Investment accounted for using equity method | <u>1,080,129</u> | Chin-Cherng       | <u>\$19,501</u> |

For the year ended December 31, 2012

| <b>Related Parties Types</b> | <b>Account Items</b>                         | <b>Number of Shares</b> | <b>Underlying Assets</b> | <b>Price</b>   |
|------------------------------|--|-------------------------|--------------------------|----------------|
| Associates                   | Investment accounted for using equity method | <u>491,625</u>          | Chin-Cherng Management   | <u>\$7,206</u> |

o. Financial assets disposed

For the year ended December 31, 2013

| <b>Related Parties Types</b> | <b>Account Items</b>                         | <b>Number of Shares</b> | <b>Underlying Assets</b> | <b>Price</b> | <b>Gain (Loss) on Disposal</b> |
|------------------------------|--|-------------------------|--------------------------|--------------|--------------------------------|
| Other related parties        | Investment accounted for using equity method | 21,500,000              | Chin-Xin                 | \$ 278,662   | Note                           |
| Associates                   | Investment accounted for using equity method | 12,128,000              | Chin-Xin                 | 150,782      | \$ (39,273)                    |

Note: The difference between the disposal price and the book value was NT\$56,407 thousand. This transaction did not result in loss of control so the loss was accounted for as equity transactions and debited retained earnings in 2013.

For the year ended December 31, 2012

| <b>Related Parties Types</b> | <b>Account Items</b>                         | <b>Number of Shares</b> | <b>Underlying Assets</b> | <b>Price</b>      | <b>Gain (Loss) on Disposal</b> |
|------------------------------|--|-------------------------|--------------------------|-------------------|--------------------------------|
| Associates                   | Investment accounted for using equity method | 50,000,000              | Chin-Xin                 | <u>\$ 503,306</u> | Note                           |

Note: The difference between the disposal price and the book value was NT\$195,340 thousand. This transaction didn't result in loss of control so the loss was accounted for as equity transactions and debited retained earnings in 2012.

p. Financing provided

The Company had provided the following loan to related party:

|            | <b>For the Year Ended December 31, 2012</b> |                       |                        |                         |
|------------|---|-----------------------|------------------------|-------------------------|
|            | <b>Highest Balance for the Period</b>       | <b>Ending Balance</b> | <b>Interest Rate %</b> | <b>Interest Revenue</b> |
| Associates | <u>US\$200,000</u>                          | <u>US\$ -</u>         | 0.24                   | <u>NT\$ 793</u>         |

## q. Loan guarantees

| <b>Related Parties Types</b> | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|------------------------------|------------------------------|------------------------------|------------------------|
| Associates                   | <u>NT\$ -</u>                | <u>NT\$ 1,200,000</u>        | <u>NT\$ 1,396,563</u>  |
| Associates                   | <u>US\$ 536,528</u>          | <u>US\$ 841,528</u>          | <u>US\$ 881,528</u>    |
| Associates                   | <u>MYR -</u>                 | <u>MYR 21,000</u>            | <u>MYR 43,000</u>      |

## r. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the year ended December 31, 2013 and 2012 were as follows:

|                          | <b>For the Year Ended December 31</b> |                   |
|--------------------------|---------------------------------------|-------------------|
|                          | <b>2013</b>                           | <b>2012</b>       |
| Short-term benefits      | \$ 143,569                            | \$ 154,599        |
| Post-employment benefits | <u>5,275</u>                          | <u>5,368</u>      |
|                          | <u>\$ 148,844</u>                     | <u>\$ 159,967</u> |

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

**26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

The following assets were provided as collaterals for bank borrowings and guarantees for tariff of imported raw materials:

|   | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|---|------------------------------|------------------------------|------------------------|
| Time deposits (recorded under other financial assets - current) | \$ -                         | \$ 305,627                   | \$ 305,627             |
| Other assets  | <u>600</u>                   | <u>600</u>                   | <u>600</u>             |
|   | <u>\$ 600</u>                | <u>\$ 306,227</u>            | <u>\$ 306,227</u>      |

**27. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS**

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

- a. Outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2013, December 31, 2012 and January 1, 2012 were as follows (in thousands):

|                    | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|--------------------|------------------------------|------------------------------|------------------------|
| U.S. dollars       | US\$ 52,673                  | US\$ 44,009                  | US\$ 125,073           |
| Japanese yen       | JPY 105,750                  | JPY 65,319                   | JPY 162,694            |
| Euro               | EUR 660                      | EUR 1,295                    | EUR 69,914             |
| New Taiwan dollars | NT\$ 34,135                  | NT\$ 45,179                  | NT\$ 97,199            |

- b. As of December 31, 2013, December 31, 2012 and January 1, 2012, outstanding standby letters of credit not reflected in the accompanying financial statements amounted to approximately NT\$545,775 thousand, NT\$676,101 thousand, NT\$583,526 thousand; tariff letters of credit amounted to approximately NT\$663,000 thousand, NT\$589,000 thousand and NT\$709,000 thousand; guarantees for the borrowings of its affiliates amounted to US\$536,528 thousand; US\$841,528 thousand, MYR21,000 thousand and NT\$1,200,000 thousand; US\$881,528 thousand MYR43,000 thousand and NT\$1,396,563 thousand.
- c. Noncancelable copper and nickel procurement contracts with total contract value of US\$35,012 thousand, US\$30,695 thousand and US\$51,653 thousand were in effect as of December 31, 2013, December 31, 2012 and January 1, 2012.

## 28. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments

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

Except for financial assets measured at cost, the management considers the carrying amounts of financial assets and financial liabilities recognized in the financial statements as approximate of fair values.

- 2) Fair value measurements recognized in the balance sheets

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

- a) Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities. They were as follows:

|                                     | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|-------------------------------------|------------------------------|------------------------------|------------------------|
| Financial assets at FVTPL           | \$ 5,427                     | \$ 43,383                    | \$ 389                 |
| Available-for-sale financial assets | <u>3,212,430</u>             | <u>681,018</u>               | <u>668,249</u>         |
|                                     | <u>\$ 3,217,857</u>          | <u>\$ 724,401</u>            | <u>\$ 668,638</u>      |
| Financial liabilities at FVTPL      | <u>\$ -</u>                  | <u>\$ -</u>                  | <u>\$ 61,578</u>       |

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

|                                | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012  |
|--------------------------------|----------------------|----------------------|------------------|
| Financial assets at FVTPL      | <u>\$ 46,009</u>     | <u>\$ -</u>          | <u>\$ 27,246</u> |
| Financial liabilities at FVTPL | <u>\$ -</u>          | <u>\$ 4,207</u>      | <u>\$ -</u>      |

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

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

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

b. Categories of financial instruments

|   | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012 |
|---|----------------------|----------------------|-----------------|
| <u>Financial assets</u>   |                      |                      |                 |
| Loans and receivables   |                      |                      |                 |
| Cash and cash equivalents   | \$ 497,926           | \$ 607,238           | \$ 2,444,336    |
| Notes receivable and trade receivables (included related parties) | 2,481,753            | 2,984,351            | 2,728,381       |
| Other receivables   | 146,873              | 196,744              | 244,897         |
| Other financial assets  | -                    | 305,627              | 305,627         |
| Refundable deposits   | 28,008               | 29,372               | 33,384          |
| Financial assets at FVTPL   | 51,436               | 43,383               | 27,635          |
| Available-for-sale financial assets (current and non-current)     | 3,212,430            | 681,018              | 668,249         |
| Financial assets measured at cost                                 | 548,757              | 399,641              | 1,265,678       |
| Held-to-maturity financial assets                                 | -                    | -                    | 235,080         |

(Continued)

|   | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012        |
|---|----------------------|----------------------|------------------------|
| <u>Financial liabilities</u>  |                      |                      |                        |
| Financial liabilities at FVTPL  | \$ -                 | \$ 4,207             | \$ 61,578              |
| Amortized cost  |                      |                      |                        |
| Short-term bank borrowings  | 4,980,073            | 7,360,812            | 8,257,646              |
| Notes payable and trade payables  | 2,947,366            | 2,510,492            | 4,974,138              |
| Other payables  | 1,340,226            | 1,009,050            | 1,288,833              |
| Long-term debts (included<br>current portion)                               | 10,200,000           | 10,200,000           | 9,500,000              |
| Deposits received (recorded as<br>other non-current liabilities -<br>other) | 177,781              | 149,944              | 186,178<br>(Concluded) |

c. Financial risk management objectives and policies

The Company's major financial instruments included equity and debt investments, trade receivable, trade payables. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provides written principles on foreign exchange risk, interest rate risk, use of financial derivatives and non-derivative financial instruments, and investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments for speculative purposes.

1) Market risk

The Company is exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses forward foreign exchange contracts and interest rate swaps contracts to hedge foreign currency risk and interest rate risk.

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

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

It is the Company's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

The carrying amounts of the Company's foreign currency denominated monetary

assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period were as follows:

|                   | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|-------------------|------------------------------|------------------------------|------------------------|
| <u>Assets</u>     |                              |                              |                        |
| U.S. dollar       | \$ 1,348,233                 | \$ 1,798,159                 | \$ 1,656,631           |
| Japanese yen      | 26,938                       | 14,077                       | 2,290                  |
| Euro              | 163,800                      | 77,810                       | 2,166,610              |
| Hong Kong dollar  | 16,615                       | 23,257                       | 9,557                  |
| Australian dollar | -                            | 9,609                        | 7,482                  |

Liabilities

|              |         |           |           |
|--------------|---------|-----------|-----------|
| U.S. dollar  | 737,193 | 2,637,534 | 2,851,277 |
| Japanese yen | 513     | 4,362     | 33,716    |
| Euro         | -       | 853       | 29,071    |

The carrying amounts of the Company's derivatives exposed to foreign currency risk at the end of the reporting period were as follows:

|                    | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> | <b>January 1, 2012</b> |
|--------------------|------------------------------|------------------------------|------------------------|
| <u>Assets</u>      |                              |                              |                        |
| U.S. dollar        | \$ 2,980,500                 | \$ -                         | \$ 2,270,625           |
| Euro               | -                            | -                            | 399,440                |
| <u>Liabilities</u> |                              |                              |                        |
| Euro               | -                            | 334,671                      | -                      |

Sensitivity analysis

The Company was mainly exposed to the U.S. dollar.

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period.

|                | <b>U.S. Dollar Impact</b> |             |
|----------------|---------------------------|-------------|
|                | <b>For the Year Ended</b> |             |
|                | <b>December 31</b>        |             |
|                | <b>2013</b>               | <b>2012</b> |
| Profit or loss | \$ 35,915                 | \$ (8,394)  |



b) Interest rate risk

The Company's interest rate risk arises primarily from fixed and floating rate deposits and borrowings.

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

|                               | December 31,<br>2013 | December 31,<br>2012 | January 1, 2012 |
|-------------------------------|----------------------|----------------------|-----------------|
| Fair value interest rate risk |                      |                      |                 |
| Financial assets              | \$ -                 | \$ -                 | \$ 1,049,240    |
| Cash flow interest rate risk  |                      |                      |                 |
| Financial assets              | 494,156              | 603,988              | 1,391,946       |
| Financial liabilities         | 15,180,073           | 17,560,812           | 17,757,646      |

Sensitivity analysis

The sensitivity analyses below shows the possible effect on profit and loss assuming a change in the interest rates at the end of the reporting period.

If interest rates at end of the reporting period were higher by 1% and all other variables were held constant, the Company's pre-tax loss for the years ended December 31, 2013 and 2012 would have been higher by NT\$146,859 thousand and NT\$169,568 thousand.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge their obligation and financial guarantees would equal to the following:

- a) The carrying amount of the respective recognized financial assets as stated in the condensed balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

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

In order to minimize credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each individual trade

receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk was significantly reduced.

### 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

a) The Company's non-derivative financial liabilities with their agreed repayment period were as follows:

|   | <b>December 31, 2013</b> |                  |                      |                 |                      |
|---|--------------------------|------------------|----------------------|-----------------|----------------------|
|   | <b>1 Year</b>            | <b>1-2 Years</b> | <b>2-5 Years</b>     | <b>5+ Years</b> | <b>Total</b>         |
| <u>Non-derivative financial liabilities</u> |                          |                  |                      |                 |                      |
| Variable interest rate liabilities          | \$ 4,980,073             | \$ -             | \$ 10,200,000        | \$ -            | \$ 15,180,073        |
| Non-interest bearing                        | <u>4,287,592</u>         | <u>-</u>         | <u>-</u>             | <u>-</u>        | <u>4,287,592</u>     |
|   | <u>\$ 9,267,665</u>      | <u>\$ -</u>      | <u>\$ 10,200,000</u> | <u>\$ -</u>     | <u>\$ 19,467,665</u> |
|   | <b>December 31, 2012</b> |                  |                      |                 |                      |
|   | <b>1 Year</b>            | <b>1-2 Years</b> | <b>2-5 Years</b>     | <b>5+ Years</b> | <b>Total</b>         |
| <u>Non-derivative financial liabilities</u> |                          |                  |                      |                 |                      |
| Variable interest rate liabilities          | \$ 7,360,812             | \$ -             | \$ 10,200,000        | \$ -            | \$ 17,560,812        |
| Non-interest bearing                        | <u>3,519,542</u>         | <u>-</u>         | <u>-</u>             | <u>-</u>        | <u>3,519,542</u>     |
|   | <u>\$ 10,880,354</u>     | <u>\$ -</u>      | <u>\$ 10,200,000</u> | <u>\$ -</u>     | <u>\$ 21,080,354</u> |
|   | <b>January 1, 2012</b>   |                  |                      |                 |                      |
|   | <b>1 Year</b>            | <b>1-2 Years</b> | <b>2-5 Years</b>     | <b>5+ Years</b> | <b>Total</b>         |
| <u>Non-derivative financial liabilities</u> |                          |                  |                      |                 |                      |
| Variable interest rate liabilities          | \$ 17,757,646            | \$ -             | \$ -                 | \$ -            | \$ 17,757,646        |
| Non-interest bearing                        | <u>6,262,971</u>         | <u>-</u>         | <u>-</u>             | <u>-</u>        | <u>6,262,971</u>     |
|   | <u>\$ 24,020,617</u>     | <u>\$ -</u>      | <u>\$ -</u>          | <u>\$ -</u>     | <u>\$ 24,020,617</u> |

b) The Company's derivative financial instruments with agreed settlement date were as follows:

|                             | <b>December 31, 2013</b>                      |                   |                               |                  |                  |
|-----------------------------|---|-------------------|-------------------------------|------------------|------------------|
|                             | <b>On Demand<br/>or Less Than<br/>1 Month</b> | <b>1-3 Months</b> | <b>3 Months to<br/>1 Year</b> | <b>1-5 Years</b> | <b>Total</b>     |
| <u>Net settled</u>          |   |                   |                               |                  |                  |
| Commodity futures contracts | \$ (8)  | \$ 2,057          | \$ 3,378                      | \$ -             | \$ 5,427         |
| Forward exchange contracts  | <u>-</u>                                      | <u>46,009</u>     | <u>-</u>                      | <u>-</u>         | <u>46,009</u>    |
|                             | <u>\$ (8)</u>                                 | <u>\$ 48,066</u>  | <u>\$ 3,378</u>               | <u>\$ -</u>      | <u>\$ 51,436</u> |

| December 31, 2012             |                                      |                    |                       |                  |                    |
|-------------------------------|--------------------------------------|--------------------|-----------------------|------------------|--------------------|
|                               | On Demand<br>or Less Than<br>1 Month | 1-3 Months         | 3 Months to<br>1 Year | 1-5 Years        | Total              |
| <u>Net settled</u>            |                                      |                    |                       |                  |                    |
| Commodity futures contracts   | \$ -                                 | \$ 38,500          | \$ 903                | \$ 3,539         | \$ 42,942          |
| Forward exchange contracts    | -                                    | -                  | (4,207)               | -                | (4,207)            |
|                               | <u>\$ -</u>                          | <u>\$ 38,500</u>   | <u>\$ (3,304)</u>     | <u>\$ 3,539</u>  | <u>\$ 38,735</u>   |
| January 1, 2012               |                                      |                    |                       |                  |                    |
|                               | On Demand or<br>Less Than<br>1 Month | 1-3 Months         | 3 Months to<br>1 Year | 1-5 Years        | Total              |
| <u>Net settled</u>            |                                      |                    |                       |                  |                    |
| Commodity futures contracts   | \$ -                                 | \$ (66,674)        | \$ 5,096              | \$ -             | \$ (61,578)        |
| Forward exchange contracts    | -                                    | 10,360             | 3,036                 | 3,571            | 16,967             |
| Exchange rate swaps contracts | -                                    | -                  | -                     | 13,849           | 13,849             |
| Interest rate swaps contracts | -                                    | -                  | (46,953)              | -                | (46,953)           |
|                               | <u>\$ -</u>                          | <u>\$ (56,314)</u> | <u>\$ (38,821)</u>    | <u>\$ 17,420</u> | <u>\$ (77,715)</u> |

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

December 31, 2013

|                              | Foreign<br>Currencies | Exchange Rate | New Taiwan<br>Dollars |
|------------------------------|-----------------------|---------------|-----------------------|
| <u>Financial assets</u>      |                       |               |                       |
| Monetary items               |                       |               |                       |
| U.S. dollars                 | \$ 45,235             | 29.805        | \$ 1,348,233          |
| Japanese Yen                 | 94,887                | 0.2839        | 26,938                |
| Euros                        | 3,986                 | 41.090        | 163,800               |
| Hong Kong dollars            | 4,323                 | 3.8430        | 16,615                |
| Non-monetary items           |                       |               |                       |
| U.S. dollars                 | 1,726                 | 29.805        | 51,436                |
| <u>Financial liabilities</u> |                       |               |                       |
| Monetary items               |                       |               |                       |
| U.S. dollars                 | 24,734                | 29.805        | 737,193               |
| Japanese Yen                 | 1,808                 | 0.2839        | 513                   |
| Swiss francs                 | 17                    | 33.485        | 569                   |

December 31, 2012

|  | <b>Foreign<br/>Currencies</b> | <b>Exchange Rate</b> | <b>New Taiwan<br/>Dollars</b> |
|--|-------------------------------|----------------------|-------------------------------|
| <u>Financial assets</u>                          |                               |                      |                               |
| Monetary items                                   |                               |                      |                               |
| U.S. dollars                                     | \$ 61,920                     | 29.040               | \$ 1,798,159                  |
| Japanese Yen                                     | 41,847                        | 0.3364               | 14,077                        |
| Euros  | 2,022                         | 38.490               | 77,810                        |
| Hong Kong dollars                                | 6,207                         | 3.7470               | 23,257                        |
| Australian dollars                               | 319                           | 30.165               | 9,609                         |
| Non-monetary items                               |                               |                      |                               |
| U.S. dollars                                     | 1,479                         | 29.040               | 42,942                        |
| Investments accounted for using equity<br>method |                               |                      |                               |
| U.S. dollars                                     | 750,028                       | 29.040               | 21,780,814                    |
| Renminbi   | 989,571                       | 4.62026              | 4,572,074                     |

Financial liabilities

|                   |        |        |           |
|-------------------|--------|--------|-----------|
| Monetary items    |        |        |           |
| U.S. dollars      | 90,824 | 29.040 | 2,637,534 |
| Japanese Yen      | 12,968 | 0.3364 | 4,362     |
| Euros             | 22     | 38.490 | 853       |
| Swiss francs      | 17     | 31.825 | 541       |
| Nonmonetary items |        |        |           |
| U.S. dollars      | 145    | 29.040 | 4,207     |
| Euros             | 7      | 38.490 | 287       |

January 1, 2012Financial assets

|  |         |         |            |
|--|---------|---------|------------|
| Monetary items                                   |         |         |            |
| U.S. dollars                                     | 54,719  | 30.275  | 1,656,631  |
| Japanese Yen                                     | 5,862   | 0.3906  | 2,290      |
| Euros  | 55,299  | 39.180  | 2,166,610  |
| Hong Kong dollars                                | 2,452   | 3.897   | 9,557      |
| Australian dollars                               | 243     | 30.735  | 7,482      |
| Non-monetary items                               |         |         |            |
| U.S. dollars                                     | 1,018   | 30.275  | 30,817     |
| Investments accounted for using equity<br>method |         |         |            |
| U.S. dollars                                     | 869,170 | 30.275  | 26,314,125 |
| Euros  | 31,141  | 39.180  | 1,220,116  |
| Renminbi   | 748,173 | 4.80495 | 3,594,934  |

(Continued)

|                              | Foreign<br>Currencies | Exchange Rate | New Taiwan<br>Dollars |
|------------------------------|-----------------------|---------------|-----------------------|
| <u>Financial liabilities</u> |                       |               |                       |
| Monetary items               |                       |               |                       |
| U.S. dollars                 | \$ 94,179             | 30.275        | \$ 2,851,277          |
| Japanese Yen                 | 86,318                | 0.3906        | 33,716                |
| Euros                        | 742                   | 39.180        | 29,071                |
| Swiss francs                 | 17                    | 32.175        | 547                   |
| Great Britain pounds         | 9                     | 46.730        | 421                   |
| Non-monetary items           |                       |               |                       |
| U.S. dollars                 | 2,034                 | 30.275        | 61,578                |
|                              |                       |               | (Concluded)           |

### 30. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

- a. Lending funds to others: Please see Table 1 attached;
- b. Providing endorsements or guarantees for others: Please see Table 2 attached;
- c. Holding of securities at the end of the period: Please see Table 3 attached;
- d. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more: Please see Table 4 attached;
- e. Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None;
- f. Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None;
- g. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more: Please see Table 5 attached;
- h. Trade receivables from related parties reaching NT\$100 million or 20 percent of paid-in capital or more: Please see Table 6 attached;
- i. Trading in derivative instruments: Please see Notes 7 and 9;
- j. Information on investees: Please see Table 7 attached;

Information on investments in mainland China:

- a. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area: Please see Table 8 attached;

- b. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None.
- 1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - 3) The amount of property transactions and the amount of the resultant gains or losses.
  - 4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - 5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
  - 6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

### **31. OPERATION SEGMENT FINANCIAL INFORMATION**

The Company has provided the operating segments financial information in the consolidated financial statements. These parent company only financial statements do not provide such information.

### **32. FIRST-TIME ADOPTION OF IFRSs**

- a. Impact of the transition to the Regulations

The impact of the transition to the Regulations on the Company's balance sheets and statements of comprehensive income is stated as follows:

1) Reconciliation of the balance sheet as of January 1, 2012 was as follows:

| ROC GAAP   |              | Effect of Transition to Regulations    |                         | Regulations   |  | Explanation         |
|--|--------------|--|-------------------------|---------------|--|---------------------|
| Item   | Amount       | Recognition and Measurement Difference | Presentation Difference | Amount        | Item   |                     |
| Current assets   |              |  |                         |               | Current assets   |                     |
| Cash and cash equivalents  | \$ 2,444,336 | \$ -                                   | \$ -                    | \$ 2,444,336  | Cash and cash equivalents  |                     |
| Financial assets at fair value through profit or loss - current      | 13,786       | -                                      | -                       | 13,786        | Financial assets measured at fair value through profit and loss - current      |                     |
| Notes receivable, net  | 51,437       | -                                      | -                       | 51,437        | Notes receivable, net  |                     |
| Accounts receivable, net   | 2,676,944    | -                                      | -                       | 2,676,944     | Accounts receivable, net   |                     |
| Other financial assets - current                                     | 244,897      | -                                      | -                       | 244,897       | Other financial assets - current   |                     |
| Inventories  | 9,329,947    | -                                      | -                       | 9,329,947     | Inventories  |                     |
| Restricted assets - current  | 305,627      | -                                      | -                       | 305,627       | Restricted assets - current  |                     |
| Other current assets   | 669,861      | (104,000)                              | -                       | 565,861       | Other current assets   | 5) a)               |
| Total current assets   | 15,736,835   | (104,000)                              | -                       | 15,632,835    | Total current assets   |                     |
| Fund and investment  |              |  |                         |               | Noncurrent assets  |                     |
| Investments accounted for by the equity method                       | 52,177,574   | (133,955)                              | -                       | 52,043,619    | Investments accounted for by the equity method                                 | 5) d), 5) g), 5) f) |
| Real estate investment   | 147,714      | -                                      | (147,714)               | -             |  | 5) f)               |
| Financial assets at fair value through profit or loss - noncurrent   | 13,849       | -                                      | -                       | 13,849        | Financial assets measured at fair value through profit and loss - noncurrent   |                     |
| Available-for-sale financial assets - noncurrent                     | 668,249      | -                                      | -                       | 668,249       | Available-for-sale financial assets - noncurrent                               |                     |
| Held-to-maturity financial assets - noncurrent                       | 235,080      | -                                      | -                       | 235,080       | Held-to-maturity financial assets - noncurrent                                 |                     |
| Financial assets held for hedging - noncurrent                       | 3,571        | -                                      | -                       | 3,571         | Financial assets held for hedging - noncurrent                                 |                     |
| Financial assets carried at cost - noncurrent                        | 1,265,678    | -                                      | -                       | 1,265,678     | Financial assets measured at fair value through profit and loss - noncurrent   |                     |
| Total fund and investments   | 54,511,715   | (133,955)                              | (147,714)               |               |  |                     |
| Property, plant and equipment, net                                   | 17,901,532   | -                                      | (9,292,690)             | 8,608,842     | Property, plant and equipment, net   | 5) f)               |
| Investment property, net   | -            | -                                      | 9,440,404               | 9,440,404     | Investment property, net   | 5) f)               |
| Other assets   |              |  |                         |               |  |                     |
| Refundable deposits  | 33,384       | -                                      | -                       | 33,384        | Refundable deposits  |                     |
| Deferred income tax assets - noncurrent                              | 700,000      | 104,000                                | -                       | 804,000       | Deferred income tax assets - noncurrent  | 5) a)               |
| Others   | 10,730       | -                                      | -                       | 10,730        | Other assets   |                     |
| Total other assets   | 744,114      | 104,000                                | -                       | 73,127,406    | Total noncurrent assets  |                     |
| Total assets   | \$ 88,894,16 | \$ (133,955)                           | \$ -                    | \$ 88,760,241 | Total assets   |                     |
| Current liabilities  |              |  |                         |               | Current liabilities  |                     |
| Short-term bank borrowing  | \$ 8,257,646 | \$ -                                   | \$ -                    | \$ 8,257,646  | Short-term bank borrowing  |                     |
| Financial liabilities at fair value through profit or loss - current | 61,578       | -                                      | -                       | 61,578        | Financial liabilities measured at fair value through profit and loss - current |                     |
| Financial liabilities held for hedging - current                     | 46,953       | -                                      | -                       | 46,953        | Financial liabilities held for hedging - current                               |                     |
| Accounts payable   | 4,974,138    | -                                      | -                       | 4,974,138     | Accounts payable   |                     |
| Income tax payable   | 313,676      | -                                      | -                       | 313,676       | Income tax payable   |                     |
| Other payable  | 1,273,833    | 15,000                                 | -                       | 1,288,833     | Other payable  | 5) b)               |
| Current portion of long-term liabilities                             | 9,500,000    | -                                      | -                       | 9,500,000     | Current portion of long-term liabilities                                       |                     |
| Other current liabilities  | 273,857      | -                                      | -                       | 273,857       | Other current liabilities  |                     |
| Total current liabilities  | 24,701,671   | 15,000                                 | -                       | 24,716,681    | Total current liabilities  |                     |
| Long-term liabilities  |              |  |                         |               | Noncurrent liabilities   |                     |
| Long-term debts  | -            | -                                      | -                       | -             | Long-term debts  |                     |
| Reserve for land revaluation increment tax                           | 131,132      | (131,132)                              | -                       | -             |  | 4) b)               |
| Other liabilities  |              |  |                         |               |  |                     |
| Accrued pension cost   | 1,306,147    | 1,904                                  | -                       | 1,308,051     | Accrued pension cost   | 5) c)               |
| Deferred income tax liabilities - noncurrent                         | -            | 131,132                                | -                       | 131,132       | Deferred income tax liabilities - noncurrent                                   | 4) b), 5) a)        |
| Unrealized profits from intercompany transactions                    | 58,482       | (58,482)                               | -                       | -             |  | 5) g)               |
| Others   | 187,514      | -                                      | -                       | 187,514       | Others   |                     |
| Total other liabilities  | 1,552,143    | 74,554                                 | -                       | 1,626,697     | Total other liabilities  |                     |
| Total liabilities  | 26,384,956   | (41,578)                               | -                       | 26,343,378    | Total liabilities  |                     |

(Concluded)

| ROC GAAP  |               | Effect of Transition to Regulations    |                         | Regulations   |   | Explanation                                     |
|---|---------------|--|-------------------------|---------------|---|---|
| Item  | Amount        | Recognition and Measurement Difference | Presentation Difference | Amount        | Item  |   |
| Stockholders' equity                              |               |  |                         |               | Stockholders' equity                              |   |
| Capital   |               |  |                         |               | Capital   |   |
| Common stock                                      | \$ 36,160,002 | \$ -                                   | \$ -                    | \$ 36,160,002 | Common stock                                      |   |
| Capital surplus                                   |               |  |                         |               | Capital surplus                                   |   |
| Additional paid-in capital                        | 11,042,685    | -                                      | -                       | 11,042,685    | Additional paid-in capital                        |   |
| Treasury stock transactions                       | 1,580,468     | -                                      | -                       | 1,580,468     | Treasury stock transactions                       |   |
| Gain on disposal of property, plant and equipment | 2,074,231     | -                                      | -                       | 2,074,231     | Gain on disposal of property, plant and equipment |   |
| Adjustment on long-term equity investments        | 4,508,977     | (4,508,977)                            | -                       | -             | Adjustment on long-term equity investments        | 5) d)   |
| Others  | 1,027,451     | -                                      | -                       | 1,027,451     | Others  |   |
| Unappropriated earnings                           | 6,560,855     | 7,321,608                              | -                       | 13,882,463    | Unappropriated earnings                           | 4) b), 4) c), 4) d), 5) b), 5) c), 5) d), 5) e) |
| Others  |               |  |                         |               | Others  |   |
| Cumulative translation adjustments                | 2,473,544     | (2,473,544)                            | -                       | -             | Cumulative translation adjustments                | 4) d), 5) d)                                    |
| Unrealized loss on financial instruments          | (2,695,200)   | 114,605                                | -                       | (2,580,595)   | Unrealized loss on financial instruments          | 5) d), 5) h), 4) b)                             |
| Unrealized revaluation increments                 | 426,405       | (426,405)                              | -                       | -             |   |   |
| Treasury stock                                    | (650,178)     | (119,664)                              | -                       | (769,842)     | Treasury stock                                    | 5) h)   |
| Total stockholders' equity                        | 62,509,240    | (92,377)                               | -                       | 62,416,863    | Total stockholders' equity                        |   |
| Total liabilities and stockholders' equity        | \$ 88,894,196 | \$ (133,955)                           | \$ -                    | \$ 88,760,241 | Total liabilities and stockholders' equity        |   |

(Concluded)

2) Reconciliation of the balance sheet as of December 31, 2012 was as follows:

| ROC GAAP   |               | Effect of Transition to Regulations    |                         | Regulations   |  | Explanation  |
|--|---------------|--|-------------------------|---------------|--|--------------|
| Item   | Amount        | Recognition and Measurement Difference | Presentation Difference | Amount        | Item   |              |
| Current assets   |               |  |                         |               | Current assets   |              |
| Cash and cash equivalents  | \$ 607,238    | \$ -                                   | \$ -                    | \$ 607,238    | Cash and cash equivalents  |              |
| Financial assets at fair value through profit or loss - current      | 43,383        | -                                      | -                       | 43,383        | Financial assets measured at fair value through profit and loss - current      |              |
| Notes receivable, net  | 54,563        | -                                      | -                       | 54,563        | Notes receivable, net  |              |
| Accounts receivable, net   | 2,929,788     | -                                      | -                       | 2,929,788     | Accounts receivable, net   |              |
| Other financial assets - current                                     | 196,744       | -                                      | -                       | 196,744       | Other financial assets - current   |              |
| Inventory  | 6,208,131     | -                                      | -                       | 6,208,131     | Inventory  |              |
| Restricted assets - current  | 305,627       | -                                      | -                       | 305,627       | Restricted assets - current  |              |
| Other current assets   | 442,269       | (37,000)                               | -                       | 405,269       | Other current assets   | 5) a)        |
| Total current assets   | 10,787,743    | (37,000)                               | -                       | 10,750,743    | Total current assets   |              |
| Fund and investment  |               |  |                         |               |  |              |
| Investments accounted for by the equity method                       | 47,042,796    | (119,089)                              | -                       | 46,923,707    | Investments accounted for by the equity method                                 | 5) d), 5) g) |
| Real estate investment   | 146,746       | -                                      | (146,746)               | -             | Real estate investment   | 5) f)        |
| Prepayment for investments   | 79,683        | -                                      | -                       | 79,683        | Prepayment for investments   |              |
| Available-for-sale financial assets - noncurrent                     | 681,018       | -                                      | -                       | 681,018       | Available-for-sale financial assets - noncurrent                               |              |
| Financial assets carried at cost - noncurrent                        | 399,641       | -                                      | -                       | 397,641       | Financial assets measured at fair value through profit and loss - noncurrent   |              |
| Total fund and investments   | 48,349,884    | (119,089)                              | (146,746)               | 48,084,049    |  |              |
| Property, plant and equipment, net                                   | 20,676,697    | -                                      | (9,147,237)             | 11,529,460    | Property, plant and equipment, net   | 5) f), 5) i) |
| Investment property  | -             | -                                      | 9,293,983               | 9,293,983     | Investment property  | 5) f)        |
| Other assets   |               |  |                         |               |  |              |
| Refundable deposits  | 29,372        | -                                      | -                       | 29,372        | Refundable deposits  |              |
| Deferred charges   | 28,523        | -                                      | -                       | 28,523        | Deferred charges   |              |
| Deferred income tax assets - noncurrent                              | 733,000       | 37,000                                 | -                       | 770,000       | Deferred income tax assets - noncurrent  | 5) a)        |
| Others   | 182,850       | (24,348)                               | -                       | 158,502       | Others   | 5) g), 5) i) |
| Total other assets   | 973,745       | 12,652                                 | -                       | 986,397       | Total noncurrent assets  |              |
| Total assets   | \$ 80,788,069 | \$ (143,437)                           | \$ -                    | \$ 80,644,632 | Total assets   |              |
| Current liabilities  |               |  |                         |               | Current liabilities  |              |
| Short-term bank borrowing  | \$ 7,360,812  | \$ -                                   | \$ -                    | \$ 7,360,812  | Short-term bank borrowing  |              |
| Financial liabilities at fair value through profit or loss - current | 4,207         | -                                      | -                       | 4,207         | Financial liabilities measured at fair value through profit and loss - current |              |
| Financial liabilities held for hedging - current                     | 287           | -                                      | -                       | 287           | Financial liabilities held for hedging - current                               |              |
| Accounts payable   | 2,510,492     | -                                      | -                       | 2,510,492     | Accounts payable   |              |
| Income tax payable   | 158,704       | -                                      | -                       | 158,704       | Income tax payable   |              |
| Other payables   | 990,315       | 18,735                                 | -                       | 1,009,050     | Other payables   | 5) b)        |
| Other current liabilities  | 147,321       | -                                      | -                       | 147,321       | Other current liabilities  |              |
| Total current liabilities  | 11,172,138    | 18,735                                 | -                       | 11,190,873    | Total current liabilities  |              |
| Long-term liabilities  |               |  |                         |               | Noncurrent liabilities   |              |
| Long-term debts  | 10,200,000    | -                                      | -                       | 10,200,000    | Long-term debts  |              |
| Reserve for land revaluation increment tax                           | 131,132       | (131,132)                              | -                       | -             |  | 4) b)        |

(Continued)



| ROC GAAP  |               | Effect of Transition to Regulations    |                         |               | Regulations                                       |  | Explanation                                      |
|---|---------------|--|-------------------------|---------------|---|--|--|
| Item  | Amount        | Recognition and Measurement Difference | Presentation Difference | Amount        | Item  |  |  |
| Other liabilities                                 |               |  |                         |               |   |  |  |
| Accrued pension cost                              | \$ 1,296,646  | \$ 26,493                              | \$ -                    | \$ 1,323,139  | Accrued pension cost                              |  | 5) c)  |
| Deferred income tax liabilities - noncurrent      | -             | 131,132                                | -                       | 131,132       | Deferred income tax liabilities - noncurrent      |  | 4) b), 5) a)                                     |
| Others  | 151,280       | -                                      | -                       | 151,280       | Others  |  |  |
| Total other liabilities                           | 1,447,926     | 157,625                                | -                       | 11,805,551    | Total other liabilities                           |  |  |
| Total liabilities                                 | 22,951,196    | 45,228                                 | -                       | 22,996,424    | Total liabilities                                 |  |  |
| Stockholders' equity                              |               |  |                         |               | Stockholders' equity                              |  |  |
| Capital   |               |  |                         |               | Capital   |  |  |
| Common stock                                      | 36,160,002    | -                                      | -                       | 36,160,002    | Common stock                                      |  |  |
| Capital surplus                                   |               |  |                         |               | Capital surplus                                   |  |  |
| Additional paid-in capital                        | 11,060,582    | -                                      | -                       | 11,060,582    | Additional paid-in capital                        |  |  |
| Treasury stock transactions                       | 1,580,468     | -                                      | -                       | 1,580,468     | Treasury stock transactions                       |  |  |
| Gain on disposal of property, plant and equipment | 2,074,231     | -                                      | -                       | 2,074,231     | Gain on disposal of property, plant and equipment |  |  |
| Adjustment on long-term equity investments        | 4,432,342     | (4,432,342)                            | -                       | -             | Adjustment on long-term equity investments        |  | 5) e)  |
| Others  | 1,027,443     | -                                      | -                       | 1,027,443     | Others  |  |  |
| Unappropriated earnings                           | 3,232,397     | 7,185,034                              | -                       | 10,417,431    | Unappropriated earnings                           |  | 4) b), 4) c), 4) d), 5) b), 5) c), 5) d), 5) e), |
| Others  |               |  |                         |               | Others  |  |  |
| Cumulative translation adjustments                | 1,022,341     | (2,501,054)                            | -                       | (1,478,713)   | Cumulative translation adjustments                |  | 4) c), 5) d),                                    |
| Unrealized loss on financial instruments          | (2,243,041)   | 105,766                                | -                       | (2,137,275)   | Unrealized loss on financial instruments          |  | 5) d), 5) h)                                     |
| Unrealized revaluation increments                 | 426,405       | (426,405)                              | -                       | -             |   |  | 4) b)  |
| Treasury stock                                    | (936,297)     | (119,664)                              | -                       | (1,055,961)   | Treasury stock                                    |  | 5) h)  |
| Total stockholders' equity                        | 57,836,873    | (188,665)                              | -                       | 57,648,208    | Total stockholders' equity                        |  |  |
| Total liabilities and stockholders' equity        | \$ 80,788,069 | \$ (143,437)                           | \$ -                    | \$ 80,644,632 | Total liabilities and stockholders' equity        |  |  |

(Concluded)

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

| ROC GAAP                         |                | Effect of Transition to Regulations    |                         |                | Regulations  |  | Explanation  |
|----------------------------------|----------------|--|-------------------------|----------------|--|--|--------------|
| Item                             | Amount         | Recognition and Measurement Difference | Presentation Difference | Amount         | Item   |  |              |
| Net operating revenue            | \$ 69,282,856  | \$ -                                   | \$ -                    | \$ 69,282,856  | Net operating revenue  |  |              |
| Operating cost                   | (65,196,282)   | -                                      | -                       | (65,196,282)   | Operating cost   |  |              |
| Unrealized intercompany profit   | (14,564)       | -                                      | -                       | (14,564)       | Unrealized gain on transactions with subsidiaries and associate    |  |              |
| Gross profit                     | 4,072,010      | -                                      | -                       | 4,072,010      | Gross profit   |  |              |
| Operating expenses               |                |  |                         |                | Operating expenses   |  |              |
| Selling                          | (491,571)      | -                                      | -                       | (491,571)      | Selling  |  |              |
| General and administrative       | (938,294)      | (1,797)                                | -                       | (940,091)      | General and administrative   |  | 5) b), 5) c) |
| Research and development         | (197,347)      | -                                      | -                       | (197,347)      | Research and development   |  |              |
| Total operating expenses         | (1,627,212)    | (1,797)                                | -                       | (1,629,009)    | Total operating expenses   |  |              |
| Operating gain                   | 2,444,798      | (1,797)                                | -                       | 2,443,001      | Operating income   |  |              |
| Nonoperating income and expenses | (5,767,256)    | 90,160                                 | -                       | (5,623,542)    | Nonoperating income and expenses                                   |  | 5) d), 5) e) |
| Loss before income tax           | (3,322,458)    | 88,363                                 | -                       | (3,180,541)    | Loss before income tax   |  |              |
| Income tax expense               | (6,000)        | -                                      | -                       | (6,000)        | Income tax expense   |  |              |
| Total consolidated loss          | \$ (3,328,458) | \$ 88,363                              | \$ -                    | (3,186,541)    | Total consolidated loss  |  |              |
|                                  |                |  |                         | (1,478,713)    | Cumulative translation adjustments                                 |  |              |
|                                  |                |  |                         | 443,320        | Unrealized loss on financial instruments                           |  |              |
|                                  |                |  |                         | (53,554)       | Share of other comprehensive income of subsidiaries and associates |  |              |
|                                  |                |  |                         | (26,525)       | Defined benefit obligation's actuarial gain and losses             |  | 5) c)        |
|                                  |                |  |                         | (1,115,472)    | Other comprehensive income, net of tax effect                      |  |              |
|                                  |                |  |                         | \$ (4,302,013) | Total comprehensive loss   |  |              |

### 4) Exemptions

Except for optional exemptions and mandatory exceptions to retrospective application provided under the Regulations, the Company retrospectively applied the Regulations to prepare its opening balance sheet at the date of transition, January 1, 2012. The major optional exemptions the Company elected are summarized as follows:

a) Investments in subsidiaries and associates

The Company elected to measure the investments in subsidiaries, associates and joint ventures acquired before the date of transition, at the same carrying amount as recognized under ROC GAAP as of December 31, 2011.

b) Fair value or revaluation amount as deemed cost

The Company revalued parts of its land in accordance with ROC GAAP and used the revalued amount as the deemed cost at the date of transition to Regulations. According to Regulations, if an entity elected to use the revaluation amount of land as the deemed cost under its first-time adoption of Regulations, the related reserve for land revaluation increment tax must be reclassified into deferred income tax liability - land value increment tax; the land revaluation increment is reclassified into retained earnings.

c) Employee benefits

The Company reclassified all unrecognized accumulated actuarial profit and loss concerning employee benefits plan to retained earnings at the date of transition to Regulations.

d) Cumulative translation differences

The Company elected to set to zero its cumulative translation adjustments in stockholders' equity by reclassifying the amount to retained earnings at the date of transition to Regulations.

5) Notes to the reconciliation of the significant differences:

The Company-specific areas of possible material differences between the existing accounting policies and the accounting policies adopted under Regulations were as follows:

a) Deferred income tax asset/liability

Under ROC GAAP, valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. In accordance with IAS No. 12, "Income Taxes," deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.

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

b) Short-term employee benefits

Short-term employee benefits under ROC GAAP are not expressly stipulated and usually recorded when paid. After the date of transition to Regulations, it is

recognized as an expense when employees provided services to increase their paid vacation.

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

According to SFAS No. 18, the unrecognized transition obligation due to first adoption of SFAS No. 18, "Accounting for Pension," should be amortized over the expected remaining working lives of employees. On the date of transition to Regulations, the retained earnings should be adjusted for unrecognized transition obligation.

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

d) The effects of retained earnings of associates

According to Regulations, the Company should recognize its share in the Regulations-adoption adjustments to retained earnings of associates.

e) Investments and capital surplus - long-term equity investments when associates/subsidiaries issue new shares and the shareholder is not subscribing in accordance with its percentage of shares of the investee/parent company.

According to ROC GAAP, the changes of investment percentage that arise when the investment company does not subscribe for new shares issued by the investee in accordance with its percentage of ownership before the new subscription are adjusted as an increase or decrease in the investment company's equity account "capital surplus - long-term equity investments" and the asset account "long-term equity investments."

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

According to the rules of "Q&A for adopting IFRSs" issued by the TSE, the Company does not need to retroactively adjust the accounts as it is not feasible in reality, but should reclassify capital surplus - long-term equity investment to retained earnings.

f) Investment property

Under ROC GAAP, a property held under an operating lease may be classified as fixed assets/other assets. Under Regulations, property held to earn rentals or capital appreciation or both should be reclassified to investment property.

## g) Deferred credits

Under ROC GAAP, the unrealized profits from upstream transaction should be eliminated to the extent of the investor's interest in the associate and reclassified to unrealized gross profit and deferred credits.

Under Regulations, the unrealized profits from upstream transactions are presented under investment in associates.

## h) Treasury stocks

Under ROC GAAP, if a subsidiary holds its parent's stocks, the parent should account for the stocks as its own treasury stocks. In the first-time adoption of SFAS No. 30, the book value of parent's stocks held by subsidiaries in early 2002 is the basis for recording the treasury stocks. Under Regulations, the amounts of treasury stock the parents recognize are the original cost of stock to subsidiaries.

## i) Idle assets

Under ROC GAAP, idle assets are classified as other assets. However, under Regulations idle assets are reclassified according to their nature whether property, plant and equipment or investment property.

## j) Translation of functional currency of foreign operations

Under ROC GAAP, various indicators are comprehensively adopted to identify functional currency. Under IFRSs, IAS No. 21 "The Effects of Changes in Foreign Exchange Rates" rules that the primary indicators should be considered first and then the secondary indicators in the determination of functional currency. According to the rules, the overseas associates change their functional currency from U.S. dollars to Renminbi and adjust retroactively the balances of assets and liabilities in Renminbi at the date of transition to Regulations.

## k) Change in parent's ownership interest in a subsidiary

According to IAS 27, a parent's sale of its shares in a subsidiary that does not result in loss of control is accounted for as equity transactions. Any difference between the book value and the fair value of the shares is recognized in equity. According to the FAQs issued by the Taiwan Stock Exchange Corporation regarding the adoption of Regulations, the Company should adjust "additional paid-in capital from difference between the book value and the price of disposal of subsidiary" directly or debit retained earnings if the additional paid-in capital is zero.

**TABLE 1**

**WALSIN LIHWA CORPORATION**

**FINANCING PROVIDED**  
**YEAR ENDED DECEMBER 31, 2013**  
(In Thousands of New Taiwan Dollars and U.S. Dollars)

| No. | Financing Company        | Borrower                      | Financial Statement Account | Related Parties | Highest Balance for the Period | Ending Balance (Note 3) | Interest Rate | Type of Financing | Transaction Amounts | Reasons for Short-term Financing | Allowance for Bad Debt | Collateral |       | Financing Limit for Each Borrowing Company (Note 2) | Financing Company's Financing Amount Limits (Note 2) |
|-----|--------------------------|-------------------------------|-----------------------------|-----------------|--------------------------------|-------------------------|---------------|-------------------|---------------------|----------------------------------|------------------------|------------|-------|---|--|
|     |                          |                               |                             |                 |                                |                         |               |                   |                     |                                  |                        | Item       | Value |   |  |
| 0   | Walsin Lihwa Corporation | Walsin Lihwa Holdings Limited | Other receivable            | Yes             | \$ 5,961,000<br>(US\$ 200,000) | \$ -<br>(US\$ -)        | -             | Operating capital | \$ -                | Operating capital                | \$ -                   | -          | \$ -  | \$ 5,997,127<br>(US\$ 201,212)                      | \$ 23,988,509  |

Notes:

1. The information on Walsin Lihwa Corporation and the subsidiaries is listed and labeled on the "No." column.
  - a. "0" represents Walsin Lihwa Corporation.
  - b. Subsidiaries are numbered starting at 1.
2. According to the Article of Endorsement/Guarantee and Financing Provided of Walsin Lihwa Corporation, the total limited amount of endorsement/guarantee and financing provided cannot exceed 40% of the net value of Walsin Lihwa Corporation's current consolidated financial statements. The limited amount of the financing provided to the single enterprise cannot exceed 50% of the net value of the borrowing company. The limited amount of financing provided to the invested company in which over 66.67% of the common stock was held cannot exceed the amount which is the net value multiplied by the equity percentage of the financing provider; in addition, the lending that the chairman of the board of directors can make in a year to a single borrower cannot exceed 10% of the net value of the latest consolidated financial statement.
  - a. The limited amount of financing provided was as follows:  
The limited amount of financing provided  $NT\$59,971,272 \times 40\% = NT\$23,988,509$ .
  - b. The limited amount of financing provided to the single entity was as follows:  
Walsin Lihwa Holdings Limited:  $NT\$59,971,272 \times 10\% = NT\$5,997,127$  (US\$201,212)
3. The actually drawn amount of Concord Industries Limited was zero.
4. Amounts are stated in thousands of N.T. dollars, except those stated in thousands of U.S. dollars.
5. The currency exchange rate as of December 31, 2013 was as follows: US\$ to NT\$= 1:29.805.

TABLE 2

## WALSIN LIHWA CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED  
YEAR ENDED DECEMBER 31, 2013  
(In Thousands)

| No. | Endorsement/<br>Guarantee Provider | Guaranteed Party                         |                                    | Limits on Each<br>Guaranteed<br>Party's<br>Endorsement/<br>Guarantee<br>Amounts<br>(Note 3) | Highest<br>Balance for the<br>Period | Ending Balance<br>(Note 4)        | Amount of<br>Endorsement/<br>Guarantee<br>Collateralized by<br>Properties | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to Net<br>Equity Per Latest<br>Financial<br>Statement | Maximum<br>Collateral/<br>Guarantee<br>Amounts<br>Allowable<br>(Note 3) |
|-----|------------------------------------|--|------------------------------------|---|--------------------------------------|-----------------------------------|---|--|---|
|     |                                    | Name                                     | Nature of Relationship<br>(Note 2) |   |                                      |                                   |   |  |   |
| 0   | Walsin Lihwa Corporation           | Walsin Lihwa Holdings                    | 2                                  | NT\$ 59,971,272   | NT\$ 24,674,125<br>(US\$ 767,000)    | NT\$ 13,769,910<br>(US\$ 462,000) | \$ -  | 23   | NT\$ 59,971,272   |
|     |                                    | Walsin Precision Technology<br>Sdn. Bhd. | 3                                  | NT\$ 1,187,107<br>(MYR 131,473)   | NT\$ 421,591<br>(MYR 21,000)         | NT\$ -<br>(MYR -)                 | -   | -  |   |
|     |                                    | Chin-Xin Investment                      | 2                                  | NT\$ -  | NT\$ 1,200,000                       | NT\$ -                            | -   | -  |   |
|     |                                    | Borrego Solar Systems, Inc.              | 3                                  | NT\$ 1,319,229<br>(US\$ 44,262)   | NT\$ 720,000<br>(US\$ 24,000)        | NT\$ 715,320<br>(US\$ 24,000)     | -   | 1  |   |
|     |                                    | GLC-(CA) SDCCD, LLC.                     | 3                                  | NT\$ 374,232<br>(US\$ 12,556)   | NT\$ 181,650<br>(US\$ 6,000)         | NT\$ 178,830<br>(US\$ 6,000)      | -   | -  |   |
|     |                                    | GLC Solar Fund II, LLC.                  | 3                                  | NT\$ 485,166<br>(US\$ 16,278)   | NT\$ 311,833<br>(US\$ 10,300)        | NT\$ 306,992<br>(US\$ 10,300)     | -   | 1  |   |
|     |                                    | GLC Solar Fund V, LLC.                   | 3                                  | NT\$ 806,166<br>(US\$ 27,048)   | NT\$ 442,863<br>(US\$ 14,628)        | NT\$ 435,988<br>(US\$ 14,628)     | -   | 1  |   |
|     |                                    | GLC Solar Fund VI, LLC.                  | 3                                  | NT\$ 1,244,150<br>(US\$ 41,743)   | NT\$ 593,390<br>(US\$ 19,600)        | NT\$ 584,178<br>(US\$ 19,600)     | -   | 1  |   |
|     |                                    |  |                                    | NT\$ 28,545,452   | NT\$ 15,991,218                      |                                   | 27  |  |   |

## Notes:

- The information on Walsin Lihwa Corporation and the subsidiaries is listed and labeled on the "No." column.
  - "0" represents Walsin Lihwa Corporation.
  - Subsidiaries are numbered starting at 1.
- The relationship between Walsin Lihwa Corporation and the endorsed/guaranteed entities can be classified into six types.
  - The entity is with business transactions.
  - The subsidiary in which over 50% of common stock was held by the parent company directly.
  - The invested company in which over 50% of common stock was held directly/indirectly by Walsin Lihwa Corporation and the subsidiaries.
  - The parent company which held directly or indirectly through subsidiaries over 50% of common stock of Walsin Lihwa Corporation.
  - The mutually endorsed companies due to the requirement of the project work.
  - The company which was endorsed due to the co-investment agreement. The endorsement percentage of each investor is based on the investment percentage.

(Continued)

3. According to the Article of Endorsement/Guarantee and Financing Provided of Walsin Lihwa Corporation, the total limited amount of endorsement/guarantee cannot exceed 100% of the net value of Walsin Lihwa Corporation's current financial statement (including the consolidated financial statement). The limited amount of the endorsement/guarantee and financing provided to the single enterprise cannot exceed the net value of the guaranteed company. The limited amount of the guarantee to the invested company in which over 66.67% of the common stock was held cannot exceed the amount which is 250% of the net value multiplied by the equity percentage of the guarantee provider; however, the limits mentioned above are not applicable to Walsin Lihwa Corporation's wholly owned holding companies incorporated in duty-free area overseas.

a. The limited amount of endorsement/guarantee provided was as follows:

$$\text{NT\$}59,971,272 \times 100\% = \text{NT\$}59,971,272$$

b. The limited amount of endorsement/guarantee provided to the single entity was as follows:

Walsin Precision Technology Sdn. Bhd.:  $\text{MYR}52,589 \times 250\% \times 100\% = \text{MYR}131,473$ ; Walsin Lihwa Corporation has released this company's liability of endorsements and guarantees on June 7, 2013.

Chin-Xin Investment:  $\text{NT\$}6,254,195 \times 0\% \times 37.00\% = \text{NT\$}0$ ; Walsin Lihwa Corporation has released this company's liability of endorsements and guarantees on February 22, 2013.

Borrego Solar Systems, Inc.:  $\text{US\$}22,783 \times 250\% \times 77.71\% = \text{US\$}44,262$

GLC-(CA) SDCCD, LLC.:  $\text{US\$}5,125 \times 250\% \times 98\% = \text{US\$}12,556$

GLC Solar Fund II, LLC.:  $\text{US\$}6,644 \times 250\% \times 98\% = \text{US\$}16,278$

GLC Solar Fund V, LLC.:  $\text{US\$}11,040 \times 250\% \times 98\% = \text{US\$}27,048$

GLC Solar Fund VI, LLC.:  $\text{US\$}17,038 \times 250\% \times 98\% = \text{US\$}41,743$

4. The actually drawn amount of Walsin Lihwa Holdings was US\$299,000 thousand this period;  
The actually drawn amount of Walsin Precision Technology Sdn. Bhd. was zero this period;  
The actually drawn amount of Chin-Xin Investment was zero this period;  
The actually drawn amount of Borrego Solar Systems, Inc. was US\$15,823 thousand this period;  
The actually drawn amount of GLC-(CA) SDCCD, LLC. was US\$5,057 thousand this period;  
The actually drawn amount of GLC Solar Fund II, LLC. was US\$8,929 thousand this period;  
The actually drawn amount of GLC Solar Fund V, LLC. was US\$11,537 thousand this period;  
The actually drawn amount of GLC Solar Fund VI, LLC. was US\$17,799 this period;

5. The currency exchange rate as of December 31, 2013 was as follows: US\$ to NT\$= 1:29.805; MYR to NT\$= 1:9.02928.

(Concluded)

TABLE 3

## WALSIN LIHWA CORPORATION

**MARKETABLE SECURITIES HELD**  
**DECEMBER 31, 2013**  
(In Thousands of New Taiwan Dollars)

| Holding Company Name          | Marketable Securities Type and Name of Issuer | Relationship of Issuer to the holding Company   | Financial Statement Account                      | December 31, 2013 |                |                         |                                 | Note |
|-------------------------------|---|---|--|-------------------|----------------|-------------------------|---------------------------------|------|
|                               |   |   |  | Shares/Units      | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value |      |
| Walsin Lihwa Corporation      | <u>Stock</u>                                  |   |  |                   |                |                         |                                 |      |
|                               | HannStar Display                              | Chairman of the board of directors is an immediate relative of the chairman of the board of directors of Walsin Lihwa Corporation | Available-for-sale financial assets - noncurrent | 212,818,099       | \$ 2,351,640   | 7.26                    | \$ 2,351,640                    |      |
|                               | HannStar Board                                | -   | "  | 76,514,639        | 860,790        | 16.71                   | 860,790                         |      |
|                               | Powertec Energy Corp.                         | "   | Financial assets measured at cost - noncurrent   | 69,150,000        | 205,706        | 13.89                   | -                               |      |
|                               | Kuong Tai Metal Industrial Co., Ltd.          | The holding company is a director of the issuer company   | "  | 8,141,846         | 101,548        | 9.52                    | -                               |      |
|                               | One-Seven Trading Co., Ltd.                   | -   | "  | 30,000            | 300            | 6.67                    | -                               |      |
|                               | Global Investment Holdings                    | The holding company is a director of the issuer company   | "  | 5,562,000         | 50,000         | 2.93                    | -                               |      |
|                               | WK Technology Fund                            | -   | "  | 3,715,600         | 40,589         | 1.91                    | -                               |      |
|                               | Universal Venture Capital Investment          | "   | "  | 1,400,000         | 14,000         | 1.16                    | -                               |      |
|                               | Taiwan High Speed Rail                        | The holding company is a director of the issuer company   | "  | 50,000,000        | 134,000        | 0.47                    | -                               |      |
| Parawin Venture Capital Corp. | -   | "   | 696,982  | 2,614             | 0.87           | -                       |                                 |      |



**TABLE 4**

**WALSIN LIHWA CORPORATION**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
YEAR ENDED DECEMBER 31, 2013  
(In Thousands of New Taiwan Dollars)**

| Company Name             | Marketable Securities Type and Name | Financial Statement Account                   | Counterparty                     | Nature of Relationship | Beginning Balance |               | Acquisition  |                            | Disposal     |            |                |                         | Ending Balance |               |
|--------------------------|-------------------------------------|---|----------------------------------|------------------------|-------------------|---------------|--------------|----------------------------|--------------|------------|----------------|-------------------------|----------------|---------------|
|                          |                                     |   |                                  |                        | Shares/Units      | Amount        | Shares/Units | Amount                     | Shares/Units | Amount     | Carrying Value | Gain (Loss) on Disposal | Shares/Units   | Amount        |
| Walsin Lihwa Corporation | Stock<br>Concord Industries         | Investments accounted for using equity method | Capital investment and reduction | Subsidiary             | 426,630,943       | \$ 11,373,316 | 92,640,519   | \$ (2,634,069)<br>(Note 1) | 10,147,832   | \$ 301,999 | \$ 301,999     | \$ -                    | 509,123,630    | \$ 13,705,386 |
|                          | Chin-Xin Investment                 | "   | Sales                            | "                      | 213,096,270       | 2,336,799     | -            | 981,503<br>(Note 1)        | 33,628,000   | 429,446    | (1,099,569)    | (670,123)<br>(Note 2)   | 179,468,270    | 2,218,733     |

Note 1: The amount included investment income or loss and adjustments on cumulative translation adjustments.

Note 2: The loss included cumulative translation adjustment of NT\$56,427 thousand which was accounted for as equity transactions and debited retained earnings due to not losing control and NT\$574,443 thousand which was due to disposal of Chin-Xin where control was lost. The Company remeasured the difference between the book value and the fair value of the remaining shares of Chin-Xin on the disposal date.

TABLE 5

## WALSIN LIHWA CORPORATION

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

| Company Name             | Related Party   | Nature of Relationship           | Transaction Details |              |            |   | Abnormal Transaction |               | Notes/Accounts Payable or Receivable |            | Note |
|--------------------------|---|----------------------------------|---------------------|--------------|------------|---|----------------------|---------------|--------------------------------------|------------|------|
|                          |   |                                  | Purchase/Sale       | Amount       | % to Total | Payment Terms   | Unit Price           | Payment Terms | Ending Balance                       | % to Total |      |
| Walsin Lihwa Corporation | Changshu Walsin Specialty Steel Co., Ltd.             | 100% indirectly owned subsidiary | Sales               | \$ (734,594) | (1)        | The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers. | Similar              | Similar       | \$ 58,406                            | 2          |      |
|                          | Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. | "                                | "                   | (956,688)    | (2)        |   | "                    | "             | 276,385                              | 11         |      |
|                          | Walsin Precision Technology Sdn. Bhd                  | "                                | "                   | (455,985)    | (1)        |   | "                    | "             | 21,143                               | 1          |      |
|                          | Jiangyin Walsin Specialty Alloy Materials Co., Ltd.   | "                                | "                   | (205,490)    | -          |   | "                    | "             | 40,641                               | 2          |      |
|                          | Walsin Lihwa Holdings Subsidiary Limited              | Subsidiary                       | "                   | (2,586,741)  | (4)        |   | "                    | "             | 319,725                              | 13         |      |

**TABLE 6****WALSIN LIHWA CORPORATION****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****DECEMBER 31, 2013****(In Thousands of New Taiwan Dollars)**

| Company Name             | Related Party   | Nature of Relationship           | Ending Balance            | Turnover Rate | Overdue |              | Amounts Received<br>in Subsequent<br>Period | Allowance for<br>Bad Debts |
|--------------------------|---|----------------------------------|---------------------------|---------------|---------|--------------|---|----------------------------|
|                          |   |                                  |                           |               | Amount  | Action Taken |   |                            |
| Walsin Lihwa Corporation | Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. | 100% indirectly owned subsidiary | Trade receivables 276,385 | 3.39          | \$ -    | -            | \$ 114,475                                  | \$ -                       |
|                          | Walsin Lihwa Holdings Limited                         | Subsidiary                       | Trade receivables 319,725 | 16.18         | -       | -            | 319,725                                     | -                          |

TABLE 7

## WALSIN LIHWA CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
DECEMBER 31, 2013

| Investor Company              | Investee Company   | Location  | Main Businesses and Products   | Original Investment Amount |                   | Balance as of December 31, 2013 |                         |                | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note |
|-------------------------------|--|---|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|------------------------|------|
|                               |  |   |  | December 31, 2013          | December 31, 2012 | Shares                          | Percentage of Ownership | Carrying Value |                                   |                        |      |
| Walsin Lihwa Corporation      | Walsin Lihwa Holdings Limited                              | Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands | Investments  | \$ 4,535,651               | \$ 4,535,651      | 148,664,834                     | 100.00                  | \$ 10,195,575  | \$ 642,575                        | \$ 665,481             |      |
|                               | Concord Industries Limited                                 | Trident Chambers Wickhams Cay P.O. Box 146, Road Town, Tortola, British Virgin Islands          | Investments  | 17,102,369                 | 14,644,261        | 509,123,630                     | 100.00                  | 13,553,839     | (878,071)                         | (878,071)              |      |
|                               | Touch Micro-System Technology Corp.                        | 566 Gaoshin Road, Yangmei Township, Taoyuan 326 Taiwan, R.O.C.                                  | OEM on MEMS foundry service  | 750,000                    | 900,000           | 2,100,000                       | 100.00                  | 4,325          | 96,641                            | 96,641                 |      |
|                               | Energy Pilot Limited                                       | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands        | Investments  | 1,826,879                  | 1,590,095         | 60,670,001                      | 100.00                  | 1,651,715      | (39,849)                          | (39,849)               |      |
|                               | Ally Energy Limited  | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands        | Solar system model   | 1,917,566                  | 1,644,557         | 64,698,247                      | 100.00                  | 3,792          | (272,378)                         | (272,378)              |      |
|                               | Market Pilot Limited                                       | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands        | Investments  | 2,926,037                  | 2,926,037         | 100,000,000                     | 100.00                  | 690,172        | (2,006,837)                       | (2,006,837)            |      |
|                               | Walsin Solar Technology Co., Ltd.                          | 25F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan                                      | Solar power manufacturing and selling operations                       | 100,000                    | 100,000           | 10,000,000                      | 100.00                  | 2,248          | (14,901)                          | (14,901)               |      |
|                               | Chin-Cherng Management Service Co., Ltd.                   | 26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan                                      | Business administration consultation, analysis and building management | 7,206                      | 7,206             | 491,625                         | 100.00                  | 7,359          | 132                               | 132                    |      |
|                               | Min Maw Precision Industry Corp.                           | 25F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan                                      | Solar power systems management, design, and installation               | 180,368                    | 160,000           | 21,000,000                      | 100.00                  | 250,158        | 35,780                            | 34,162                 |      |
|                               | Chin-Cherng Construction Co.                               | 5th Floor, 192 Jingye 1st Road, Zhongshan District, Taipei 104, Taiwan, R.O.C.                  | Construction business  | 606,213                    | 586,712           | 220,272,539                     | 99.09                   | 3,006,206      | (39,440)                          | (39,160)               |      |
|                               | Walsin Info - Electric Corp.                               | 2nd Floor, 192 Jingye 1st Road, Zhongshan District, Taipei 104, Taiwan, R.O.C.                  | Mechanical and electrical, communications, and power systems           | 208,778                    | 208,698           | 23,728,623                      | 98.87                   | 311,436        | 13,752                            | 13,601                 |      |
|                               | Joint Success Enterprises Limited                          | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands        | Investments  | 1,224,479                  | 1,224,479         | 38,020,000                      | 49.05                   | 2,006,027      | (221,959)                         | (94,531)               |      |
| Chin-Xin Investment Co., Ltd. | 26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan | Investments   | 2,237,969  | 2,215,948                  | 179,468,270       | 37.00                           | 2,218,733               | (955,944)      | (114,439)                         |                        |      |

(Continued)

| Investor Company | Investee Company                      | Location  | Main Businesses and Products   | Original Investment Amount |                   | Balance as of December 31, 2013 |                         |                | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note |
|------------------|---------------------------------------|---|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|------------------------|------|
|                  |                                       |   |  | December 31, 2013          | December 31, 2012 | Shares                          | Percentage of Ownership | Carrying Value |                                   |                        |      |
|                  | Concord VII Venture Capital Co., Ltd. | 11th Floor, 132 Min-Sheng East Road Sec. 3, Taipei 104, Taiwan, R.O.C.        | Venture capital  | \$ 212,480                 | \$ 212,480        | 21,248,000                      | 43.24                   | \$ 71,503      | \$ (11,224)                       | \$ (4,853)             |      |
|                  | Walsin Color Co., Ltd.                | 26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan                    | Management of investments and conglomerate   | 416,849                    | 416,849           | 47,114,093                      | 33.97                   | 312,809        | (229,865)                         | (78,085)               |      |
|                  | Concord II Venture Capital Co., Ltd.  | 11th Floor, 132 Min-Sheng East Road Sec. 3, Taipei 104, Taiwan, R.O.C.        | Venture capital and consulting affairs   | 257,860                    | 257,860           | 26,670,699                      | 26.67                   | 254,941        | (23,964)                          | (6,391)                |      |
|                  | Winbond Electronics Corp.             | No. 8, Keya 1st Rd., Daya Township, Taichung County 428, Taiwan R.O.C.        | Research, development, production and sale of semiconductors and related components                      | 6,170,752                  | 6,170,752         | 858,091,531                     | 23.23                   | 8,192,573      | 305,214                           | 78,568                 |      |
|                  | Walton Advanced Engineering, Inc.     | No. 18, Yugang N. 1st Rd., Qianzhen Dist., Kaohsiung City 806, Taiwan, R.O.C. | Production, sale, and test of semiconductors   | 1,185,854                  | 1,185,854         | 109,628,376                     | 21.90                   | 1,499,703      | 322,378                           | 70,484                 |      |
|                  | Walsin Technology Corp.               | 26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan                    | Production and sale of ceramics capacitors   | 2,010,034                  | 2,010,034         | 125,001,738                     | 18.11                   | 2,390,784      | (502,474)                         | (85,366)               |      |
|                  | HannStar Board Corp.                  | 9 Industrial Fourth Road, Kuan-Yin Hsiang, Taoyuan Hsien, Taiwan, R.O.C.      | Production and sale of printed circuits board, imported trading, and the agency of bidding and quotation | -                          | 695,697           | -                               | -                       | -              | (251,763)                         | (21,109)               |      |
|                  | Powertec Energy Corp.                 | 23F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan                    | Production and sale of solar polysilicon   | -                          | 797,000           | -                               | -                       | -              | (346,341)                         | (53,294)               |      |

(Concluded)

TABLE 8

## WALSIN LIHWA CORPORATION

## INFORMATION ON INVESTMENT IN MAINLAND CHINA

DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars/U.S. Dollars or Renminbi)

1. The names of investee companies in Mainland China, main businesses and products, total amount of paid-in capital, investment type, investment flows, percentage of ownership in investment, investment gain or loss, carrying value, accumulated inward remittance of earnings and upper limit on investment in Mainland China were as follows:

| Investee Company                                      | Main Businesses and Products                         | Total Amount of Paid-in Capital        | Investment Type (Note 1) | Accumulated Outflow of Investment from Taiwan as of January 1, 2013 | Investment Flows |                          | Accumulated Outflow of Investment from Taiwan as of December 31, 2013 | Percentage of Ownership in Investment | Investment Gain (Loss) (Note 19) | Carrying Value as of December 31, 2013 | Accumulated Inward Remittance of Earnings as of December 31, 2013 |
|---|--|--|--------------------------|---|------------------|--------------------------|---|---------------------------------------|----------------------------------|--|---|
|   |  |  |                          |   | Outflow          | Inflow                   |   |                                       |                                  |  |   |
| Jiangyin Walsin Steel Cable Co., Ltd.                 | Manufacture and sale of steel cables and wires       | \$ 596,100<br>(US\$ 20,000)            | c                        | \$ 447,075<br>(US\$ 15,000)<br>(Note 2)                             | \$ -<br>-        | \$ -<br>-                | \$ 447,075<br>(US\$ 15,000)<br>(Note 2)                               | 75.00                                 | \$ 385,710<br>(RMB 80,404)       | \$ 910,931<br>(RMB 186,337)            | \$ -  |
| Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.    | Manufacture and sale of cables and wires             | 465,763<br>(US\$ 15,627)               | c                        | 445,764<br>(US\$ 14,956)<br>(Note 3)                                | -<br>-           | -<br>-                   | 445,764<br>(US\$ 14,956)<br>(Note 3)                                  | 95.71                                 | 52,068<br>(RMB 10,854)           | 918,044<br>(RMB 187,792)               | -   |
| Hangzhou Walsin Power Cable & Wire Co., Ltd.          | Manufacture and sale of cables and wires             | 1,385,336<br>(US\$ 46,480)             | c                        | 1,228,264<br>(US\$ 41,210)<br>(Note 4)                              | -<br>-           | -<br>-                   | 1,228,264<br>(US\$ 41,210)<br>(Note 4)                                | 89.78                                 | (478,866)<br>(RMB -99,823)       | (98,775)<br>(RMB -20,205)              | -   |
| Walsin (China) Investment Co., Ltd.                   | Investments  | 2,342,673<br>(US\$ 78,600)             | c                        | 2,342,673<br>(US\$ 78,600)<br>(Note 5)                              | -<br>-           | -<br>-                   | 2,342,673<br>(US\$ 78,600)<br>(Note 5)                                | 100.00                                | 106,482<br>(RMB 22,197)          | 3,080,461<br>(RMB 630,129)             | -   |
| Changshu Walsin Specialty Steel Co., Ltd.             | Manufacture and sale of specialized steel tubes      | 2,891,085<br>(US\$ 97,000)             | c                        | 2,891,085<br>(US\$ 97,000)<br>(Note 6)                              | -<br>-           | -<br>-                   | 2,891,085<br>(US\$ 97,000)<br>(Note 6)                                | 100.00                                | 313,369<br>(RMB 65,324)          | 2,659,517<br>(RMB 544,022)             | -   |
| Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. | Manufacture and sale of stainless steel              | 1,162,395<br>(US\$ 39,000)             | c                        | 1,162,395<br>(US\$ 39,000)<br>(Note 7)                              | -<br>-           | -<br>-                   | 1,162,395<br>(US\$ 39,000)<br>(Note 7)                                | 100.00                                | (180,248)<br>(RMB -37,574)       | (403,785)<br>(RMB -82,597)             | -   |
| Dongguan Walsin Wire & Cable Co., Ltd.                | Manufacture and sale of bare copper cables and wires | 774,930<br>(US\$ 26,000)               | c                        | 774,930<br>(US\$ 26,000)<br>(Note 8)                                | -<br>-           | -<br>-                   | 774,930<br>(US\$ 26,000)<br>(Note 8)                                  | 100.00                                | 9,128<br>(RMB 19,029)            | 1,888,655<br>(RMB 386,337)             | -   |
| Jiangyin Yuantai Stainless Steel Products Co., Ltd.   | Manufacture and sale of strained stainless steel     | -<br>US\$ -                            | c                        | 251,435<br>(US\$ 8,436)   | -<br>-           | 302,461<br>(US\$ 10,148) | (51,026)<br>(US\$ -1,712)   | -                                     | 17,783<br>(RMB 3,707)            | -<br>RMB -                             | 302,461<br>(US\$ 10,148)  |
| Nanjing Walsin Metal Co., Ltd.                        | New copper metal material                            | 2,420,166<br>(US\$ 81,200)<br>(Note 9) | c                        | 1,810,892<br>(US\$ 60,758)<br>(Note 10)                             | -<br>-           | -<br>-                   | 1,810,892<br>(US\$ 60,758)<br>(Note 10)                               | 78.26                                 | 258,221<br>(RMB 53,828)          | 3,910,818<br>(RMB 799,984)             | -   |
| Jiangyin Walsin Precision Metal Technology Co., Ltd.  | Precision alloy wire                                 | 1,460,445<br>(US\$ 49,000)             | c                        | 1,460,445<br>(US\$ 49,000)<br>(Note 11)                             | -<br>-           | -<br>-                   | 1,460,445<br>(US\$ 49,000)<br>(Note 11)                               | 100.00                                | 120,855<br>(RMB 25,193)          | 1,527,738<br>(RMB 313,509)             | -   |
| Changzhou Wujin NSL Co., Ltd.                         | Manufacture and sale of steel billets                | 3,278,550<br>(US\$ 110,000)            | c                        | 3,216,743<br>(US\$ 107,933)   | -<br>-           | -<br>-                   | 3,216,743<br>(US\$ 107,933)   | 100.00                                | (158,320)<br>(RMB -33,003)       | 2,139,759<br>(RMB 437,702)             | -   |

(Continued)

| Investee Company  | Main Businesses and Products   | Total Amount of Paid-in Capital         | Investment Type (Note 1) | Accumulated Outflow of Investment from Taiwan as of January 1, 2013 | Investment Flows           |           | Accumulated Outflow of Investment from Taiwan as of December 31, 2013 | Percentage of Ownership in Investment | Investment Gain (Loss) (Note 19) | Carrying Value as of December 31, 2013 | Accumulated Inward Remittance of Earnings as of December 31, 2013 |
|---|--|---|--------------------------|---|----------------------------|-----------|---|---------------------------------------|----------------------------------|--|---|
|   |  |   |                          |   | Outflow                    | Inflow    |   |                                       |                                  |  |   |
| Dongguan HannStar Electronics Co., Ltd.   | Manufacture and sale of wires and cables   | \$ 286,128<br>(US\$ 9,600)              | c                        | \$ 64,587<br>(US\$ 2,167)<br>(Note 12)                              | \$ -<br>-                  | \$ -<br>- | \$ 64,587<br>(US\$ 2,167)<br>(Note 12)                                | 100.00                                | \$ (72,730)<br>(RMB -15,161)     | \$ 226,446<br>(RMB 46,321)             | \$ -  |
| XiAn Walsin Metal Product Co., Ltd.   | Manufacture and sale of specialized stainless steel plates   | 298,050<br>(US\$ 10,000)                | c                        | 298,050<br>(US\$ 10,000)  | -<br>-                     | -<br>-    | 298,050<br>(US\$ 10,000)  | 100.00                                | (284,625)<br>(RMB -59,332)       | (761,838)<br>(RMB -155,839)            | -   |
| Yantai Jin Cherng Precision Wire Rod Co., Ltd. (renamed as Yantai Walsin Stainless Steel Co., Ltd. in January 2013) | Production and sale of electronic components and new alloy materials                               | 2,829,514<br>(RMB 578,796)<br>(Note 13) | c                        | -<br>-  | -<br>-                     | -<br>-    | US\$ -<br>-   | 100.00                                | (506,387)<br>(RMB -105,560)      | (493,061)<br>(RMB -100,859)            | -   |
| Yantai Dazhong Recycling Resource Co., Ltd.   | Recycling and manufacture of steel   | 894,150<br>(US\$ 30,000)                | c                        | 894,150<br>(US\$ 30,000)  | -<br>-                     | -<br>-    | 894,150<br>(US\$ 30,000)  | 100.00                                | 1,430<br>(RMB 298)               | 940,688<br>(RMB 192,424)               | -   |
| Walsin Lihwa (Changzhou) Investment Co., Ltd.   | Commerce and investments   | 1,460,445<br>(US\$ 49,000)              | c                        | -<br>US\$ -   | 1,460,445<br>(US\$ 49,000) | -<br>-    | 1,460,445<br>(US\$ 49,000)  | 100.00                                | (4,394)<br>(RMB -916)            | 1,460,465<br>(RMB 298,748)             | -   |
| Wuxi Xingcheng Walsin Steel Products Co. Ltd.   | Manufacture and sale of stainless steel  | 1,329,303<br>(US\$ 44,600)              | c                        | -<br>US\$ -   | 1,218,935<br>(US\$ 40,897) | -<br>-    | 1,218,935<br>(US\$ 40,897)  | 50.00                                 | (6,049)<br>(RMB -1,261)          | 1,220,009<br>(RMB 249,561)             | -   |
| Changzhou China Steel Precision Materials Co., Ltd.   | Melting and forging of nonferrous metallic materials and composites as well as new types of alloys | 1,299,498<br>(US\$ 43,600)              | c                        | 389,849<br>(US\$ 13,080)  | -<br>-                     | -<br>-    | 389,849<br>(US\$ 13,080)  | 30.00                                 | 3,046<br>(RMB 635)               | 365,903<br>(RMB 74,848)                | 909,649<br>(US\$ 30,520)  |
| XiAn Walsin United Technology Co., Ltd.   | Electronic devices and module  | 2,977,520<br>(US\$ 99,900)              | c                        | 2,979,248<br>(US\$ 99,958)  | -<br>-                     | -<br>-    | 2,979,248<br>(US\$ 99,958)  | 100.00                                | (2,005,943)<br>(RMB -418,153)    | 660,066<br>(RMB 135,021)               | -   |
| Nanjing Walsin Expo Exhibition Ltd.   | Exhibition and conference organizing service   | 13,084<br>(US\$ 439)                    | c                        | 7,898<br>(US\$ 265)   | -<br>-                     | -<br>-    | 7,898<br>(US\$ 265)   | 60.00                                 | (1,257)<br>(RMB -262)            | 2,425<br>(RMB 496)                     | -   |
| Yantai Huanghai Iron and Steel Co., Ltd.  | Manufacture and sale of steel billets and wire rods  | 1,006,518<br>(RMB 205,890)<br>(Note 14) | c                        | 87,239<br>(US\$ 2,927)  | -<br>-                     | -<br>-    | 87,239<br>(US\$ 2,927)  | 100.00                                | (9,748)<br>(RMB -2,032)          | 336,029<br>(RMB 68,737)                | -   |
| Nanjing Taiwan Trade Mart Management Co., Ltd.  | Business and asset management, consulting and advertising services                                 | 29,805<br>(US\$ 1,000)                  | c                        | 29,805<br>(US\$ 1,000)  | -<br>-                     | -<br>-    | 29,805<br>(US\$ 1,000)  | 100.00                                | (210,926)<br>(RMB -43,969)       | (763,998)<br>(RMB -156,281)            | -   |
| XiAn Lv Jing Technology Co., Ltd.   | Solar Module Assembly  | 1,347,186<br>(US\$ 45,200)              | d                        | 596,100<br>(US\$ 20,000)  | -<br>-                     | -<br>-    | 596,100<br>(US\$ 20,000)  | 100.00                                | (13,317)<br>(RMB -2,776)         | 777,936<br>(RMB 159,132)               | -   |
| Shaanxi Tianhong Silicon Industrial Corporation   | Polysilicon Production   | 5,866,344<br>(RMB 1,200,000)            | d                        | -<br>US\$ -   | -<br>-                     | -<br>-    | US\$ -<br>-   | 19.00                                 | -<br>RMB -                       | 655,075<br>(RMB 134,000)<br>(Note 15)  | -   |
| Xian Walsin Opto-electronic Limited   | LED, micro projector, and solar cell assembly  | 4,471<br>(US\$ 150)                     | c                        | 4,471<br>(US\$ 150)   | -<br>-                     | -<br>-    | 4,471<br>(US\$ 150)   | 100.00                                | (46,681)<br>(RMB -9,731)         | (137,297)<br>(RMB -28,085)             | -   |
| Jiangsu Taiwan Trade Mart Development Co., Ltd.   | Development and management of Nanjing Taiwan Trade Mart Management Co., Ltd.                       | 48,886<br>(RMB 10,000)                  | c                        | 9,061<br>(US\$ 304)   | -<br>-                     | -<br>-    | 9,061<br>(US\$ 304)   | 20.00                                 | (72)<br>(RMB -15)                | 9,748<br>(RMB 1,994)                   | -   |
| Shaanxi Optoelectronics Technology Co., Ltd.  | Communication equipment and electronic components  | 488,862<br>(RMB 100,000)                | c                        | -<br>US\$ -   | -<br>-                     | -<br>-    | US\$ -<br>-   | 19.00                                 | -<br>RMB -                       | 92,884<br>(RMB 19,000)                 | -   |

(Continued)

| Investee Company                             | Main Businesses and Products  | Total Amount of Paid-in Capital | Investment Type (Note 1) | Accumulated Outflow of Investment from Taiwan as of January 1, 2013 | Investment Flows |           | Accumulated Outflow of Investment from Taiwan as of December 31, 2013 | Percentage of Ownership in Investment | Investment Gain (Loss) (Note 19) | Carrying Value as of December 31, 2013 | Accumulated Inward Remittance of Earnings as of December 31, 2013 |
|--|---|---------------------------------|--------------------------|---|------------------|-----------|---|---------------------------------------|----------------------------------|--|---|
|  |   |                                 |                          |   | Outflow          | Inflow    |   |                                       |                                  |  |   |
| Glory Sky Limited                            | LED R&D, manufacture and marketing & Sales                          | \$ 97,772<br>(RMB 20,000)       | c                        | \$ -<br>RMB -   | \$ -<br>-        | \$ -<br>- | \$ -<br>RMB -   | 10.00                                 | \$ -<br>RMB -                    | \$ 97,772<br>(RMB 20,000)              | \$ -  |
| Walsin (Nanjing) Construction Limited        | Construction, rental and sale of buildings and industrial factories | 1,835,882<br>(RMB 375,542)      | d                        | 1,835,882<br>(RMB 375,542)<br>(Note 16)                             | -<br>-           | -<br>-    | 1,835,882<br>(RMB 375,542)<br>(Note 16)                               | 99.54                                 | (193,968)<br>(RMB -40,433)       | 3,172,343<br>(RMB 648,924)             | -   |
| Nanjing Walsin Property Management Co., Ltd. | Property management, business management and housing leasing        | 4,889<br>(RMB 1,000)            | c                        | -<br>RMB -  | -<br>-           | -<br>-    | -<br>RMB -  | 99.54                                 | (25,080)<br>(RMB -5,228)         | -<br>RMB -                             | -   |

2. The upper limit on investment of the Company in Mainland China was as follows:

| Accumulated Investment in Mainland China as of December 31, 2013<br>(NT\$ and US\$ in Thousands) | Investment Amounts Authorized by Investment Commission, MOEA<br>(NT\$ and US\$ in Thousands) | Upper Limit on Investment<br>(NT\$ in Thousands) |
|--|--|--|
| \$ 24,388,686<br>(US\$ 818,275)  | \$ 25,400,805<br>(US\$ 852,233)  | N/A (Note 20)                                    |

Note:

- Investments can be classified into five types as follows:
  - Investing in companies in China by remitting the capital from the area other than Taiwan and China.
  - Establishing new companies in areas other than Taiwan and China and investing in companies in China through the newly established companies.
  - Investing in companies in China through companies already established and existing in areas other than Taiwan and China.
  - Others: e.g. Investments by trust.
- Including US\$4,500 thousand investment through Walsin (China) Investment Co., Ltd.
- Including US\$4,929 thousand investment through Walsin (China) Investment Co., Ltd.
- Including US\$2,800 thousand investment through Walsin (China) Investment Co., Ltd., and US\$22,730 thousand dividends appropriated from Dongguan Walsin Wire & Cable Co., Ltd., Jiangying Walsin Steel Cable Co., Ltd., Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. and Hangzhou Walsin Power Cable & Wire Co., Ltd.
- Capital investment of US\$28,600 thousand was contributed from the accounts payable of Walsin (China) Investment Co., Ltd. to Walsin Lihwa Holdings Limited.
- Including US\$8,000 thousand investment through Walsin Specialty Steel Corp. and US\$42,000 thousand dividends appropriated from Changshu Walsin Specialty Steel Co., Ltd. and Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.
- Including US\$4,800 thousand investment through Walsin (China) Investment.
- Investment through Walsin (China) Investment.
- Including US\$3,500 thousand revaluation increment of assets.
- By the dividends of US\$43,521 thousand appropriated from Nanjing Walsin Photoelectric Co., Ltd. to Renowned International Limited and the dividends of US\$300 thousand appropriated from Jiangyin Walsin Steel Cable Co., Ltd. to Walsin (China) Investment Co., Ltd.
- By own capital of Walsin (China) Investment Co., Ltd. US\$9,000 thousand.
- Disbursed to purchase 100% of shares equity from original stockholder.

(Continued)



13. By own capital of RMB578,796 of Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd., Changzhou Wujin NSL Co., Ltd. and Changshu Walsin Specialty Steel Co., Ltd.
14. Including RMB2,500 thousand investments made through Changzhou Wujin NSL Co., Ltd.
15. The amount included Walsin Lihwa Holdings purchase of Lead Hero Limited equity at purchase cost of US\$1 and indirectly through Shaanxi Tianhong Silicon Industrial Corporation with carrying value RMB168,000 thousand, and by own capital of RMB60,000 thousand of XiAn Lv Jing Technology Co., Ltd. And the amount was adjusted by own capital of XiAn Lv Jing Technology Co., Ltd. of RMB228,000 thousand and by the fair value.
16. The amount included investment through Joint Success Enterprise Limited approved in the previous years.
17. Amounts are stated in thousands of N.T. dollars and Renminbi and U.S. dollars as indicated.
18. The currency exchange rates as of December 31, 2013 were as follows: US\$ to NT\$= 1:29.805, RMB to NT\$= 1:4.88862. The average exchange rate as of December 31, 2013 were as follows: US\$ to NT\$= 1:29.689, RMB to NT\$= 1:4.79715.
19. Amount was recognized based on the audited financial statements.
20. Upper limit on investment:

The Company had been approved as operation headquarters by Industrial Development Bureau, Ministry of Economic Affairs, thus exempted from the related regulations of "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China".

3. Significant direct or indirect transactions between the Company and investees in Mainland China

(In Thousands of New Taiwan Dollars)

| Related Party   | Nature of Relationship           | Transaction Type | Amount       | % to Total | Transaction terms   |   |                                 | Notes/Accounts Payable or Receivable |            | Unrealized Loss |
|---|----------------------------------|------------------|--------------|------------|---|---|---------------------------------|--------------------------------------|------------|-----------------|
|   |                                  |                  |              |            | Unit Price  | Payment Terms   | Compare to General Transactions | Ending Balance                       | % to Total |                 |
| Changshu Walsin Specialty Steel Co., Ltd.             | 100% indirectly owned subsidiary | Sales            | \$ (734,594) | (1)        | The price and payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers. | The price and payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers. | Similar                         | \$ 58,406                            | 2          | \$ (8,770)      |
| Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. | "                                | "                | (956,688)    | (2)        | "   | "   | "                               | 273,385                              | 11         | (8,339)         |
| Walsin Precision Technology Sdn. Bhd                  | "                                | "                | (455,985)    | (1)        | "   | "   | "                               | 21,143                               | 1          | -               |
| Jiangyin Walsin Specialty Alloy Materials Co., Ltd.   | "                                | "                | (205,490)    | -          | "   | "   | "                               | 40,641                               | 2          | (3,008)         |
| Walsin Lihwa Holdings Limited                         | Subsidiary                       | "                | (2,586,741)  | (4)        | "   | "   | "                               | 319,725                              | 13         | -               |

(Concluded)

6. Any Financial Crunch Confronted by the Company or Its Subsidiaries and the Related Impacts in Recent Years and up to the Annual Report Publication:None.

## VII Review and Analysis of Financial Status, Financial Performance, and Risk Management

### 1. Financial Status

Unit : NT Thousands

| Items \ Year                     | 2012        | 2013        | Variance                      |                         |
|----------------------------------|-------------|-------------|-------------------------------|-------------------------|
|                                  |             |             | Increase (decrease)<br>Amount | Variable<br>proportion% |
| Current Assets                   | 45,945,031  | 52,866,243  | 6,921,212                     | 15.06                   |
| Property, Plant<br>and Equipment | 25,844,974  | 21,635,479  | (4,209,495)                   | (16.29)                 |
| Intangible Assets                | 191,401     | 199,178     | 7,777                         | 4.06                    |
| Other Assets                     | 36,640,923  | 38,707,441  | 2,066,518                     | 5.64                    |
| Total Assets                     | 108,622,329 | 113,408,341 | 4,786,012                     | 4.41                    |
| Current Liabilities              | 23,931,901  | 35,863,269  | 11,931,368                    | 49.86                   |
| Non-current Liabilities          | 22,823,530  | 15,347,795  | (7,475,735)                   | (32.75)                 |
| Total Liabilities                | 46,755,431  | 51,211,064  | 4,455,633                     | 9.53                    |
| Capital Stock                    | 36,160,002  | 35,760,002  | (400,000)                     | (1.11)                  |
| Capital Surplus                  | 15,742,724  | 15,629,054  | (113,670)                     | (0.72)                  |
| Retained Earnings                | 10,417,431  | 7,758,681   | (2,658,750)                   | (25.52)                 |

Note: The reasons, effects and future plans about that changes in assets, liabilities and equity which over 20% or NT\$10 millions in last two years:

1. Reasons:

- A. The increase of current liabilities in 2013 compared with 2012 was due to the increase of current portion of long-term borrowings.
- B. The decrease of non-current liabilities in 2013 compared with 2012 was due to the decrease of long-term borrowings.
- C. The decrease of retained earnings in 2013 compared with 2012 was due to the net loss on 2013.

2. Effects: None.

3. Future Plans:

Strengthen the management of working capital and balance sheet structure.

## 2. Financial Performance

Unit : NT Thousands

| Items \ Year                         | 2012        | 2013        | Variance                      |                         |
|--------------------------------------|-------------|-------------|-------------------------------|-------------------------|
|                                      |             |             | Increase (decrease)<br>Amount | Variable<br>proportion% |
| Operating Revenue                    | 157,463,051 | 148,634,957 | (8,828,094)                   | (5.61)                  |
| Operating Costs                      | 149,923,971 | 144,003,799 | (5,920,172)                   | (3.95)                  |
| Gross Profit                         | 7,539,080   | 4,631,158   | (2,907,922)                   | (38.57)                 |
| Operating Expense                    | 5,256,249   | 4,585,961   | (670,288)                     | (12.75)                 |
| Profit (Loss) from<br>Operations     | 2,282,831   | 45,197      | (2,237,634)                   | (98.02)                 |
| Non-operating Revenue<br>and Expense | (4,046,353) | (2,361,334) | 1,685,019                     | (41.64)                 |
| Profit (Loss) before<br>Taxes        | (1,763,522) | (2,316,137) | (552,615)                     | 31.34                   |
| Tax Expense                          | 1,361,317   | 115,285     | (1,246,032)                   | (91.53)                 |
| Net Income (Loss)                    | (3,124,839) | (2,431,422) | 693,417                       | (22.19)                 |

(1) The variance analysis in last two years: (Variable proportion over 20%)

- The gross profit margin of 2012 was 4.8% including property sales of Nanjing Walsin Town. The sales revenue was \$6 billions and gross profit was \$2.3 billions. After deduct this effect, the gross profit margin was 3.5% nearly the gross profit margin 3.12% in 2013.
- Non-operating expense decreased \$1.7 billions in 2013 compared to 2012 because there were relocation compensation revenue \$5 billions and gain on disposal of property, plant and equipment \$5 billions in 2012; in addition, Share of loss of associates accounted under equity method decreased 6 billions in 2013.

(2) The reason for the changes in business content changes: None.

(3) The expected sales volume in the next year and its main reason:

- Expected sales volume in the next year:

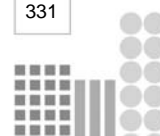
2014

|                     |                    |
|---------------------|--------------------|
| Bare copper wire    | 500 thousands tons |
| Power line          | 50 thousands tons  |
| Strand              | 10 thousands tons  |
| Stainless steel     | 460 thousands tons |
| Hot rods            | 140 thousands tons |
| Seamless steel pipe | 27 thousands tons  |

- The basis of the expected sales volume:

Analyze market demand and supply situation and major customers operating conditions.

- Possible future impact on the Company's financial operations and response plans: None.



### 3. Analysis of the Cash Flow Statement

#### (1) Analysis of change in cash flow for the year:

Unit : NT Thousands

| Cash and Cash Equivalents at the beginning of the year  | Net Cash Used in Operating Activities | Net Cash Used in Investing Activities | Net Cash Used in Financing Activities | Effects of Exchange Rate Changes | Cash and Cash Equivalents at the ending of the year | Note |
|---|---------------------------------------|---------------------------------------|---------------------------------------|----------------------------------|---|------|
| 6,060,115   | 6,182,837                             | (4,639,903)                           | (787,994)                             | 882,707                          | 1,637,647   |      |
| Analysis of change in cash flow for the year:   |                                       |                                       |                                       |                                  |   |      |
| 1. The inflows of net cash used in operating activities 6,182,837 thousands due to the increase of advance receipts on real estate in 2013.   |                                       |                                       |                                       |                                  |   |      |
| 2. The outflows of net cash used in investing activities was 4,639,903 thousands due to purchase of property, plant and equipment and purchase of associates accounted under equity method. |                                       |                                       |                                       |                                  |   |      |
| 3. The outflows of net cash used in financing activities was 787,994 thousands due to short-term borrowings.  |                                       |                                       |                                       |                                  |   |      |
| 4. The inflows of net cash in the year was 1,637,647 thousands , and the ending balance of cash was 7,697,762 thousands.  |                                       |                                       |                                       |                                  |   |      |

#### (2) The remedial measures of cash inadequacy and the liquidity analysis: Not applicable.

#### (3) Analysis of cash flow for the next year:

- The 2013 cash flows in operating activities included advance receipts on real estate of Nanjing Walsin Town \$4.7 billions. In 2014, it would continued investing and developing Nanjing Walsin Town and there is no significant advance receipts on real estate; therefore, it is expected the 2014 cash flows would be decrease.
- The 2014 cash flows in investing activities would be increase due to planning to adjust institutions.

#### 4. Effect of major capital spending on financial position and business operations: None.

#### 5. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year:

##### (1) Investment policy and profit or loss in the past year:

- On a consolidated basis, the Company expanded its reinvestment policy to include DRAM, TFT LCD passive components apart from cable, specialty steel and other core businesses.
- On a consolidated basis, in 2013 the Company recognized long-term equity losses valued based on the equity method for an amount approximately equal to NT\$250 million; these losses include those incurred by Walsin Technology Corp., HannStar Color and Chin-Xin Investment Co., Ltd.
- Due to the loss of influence over some invested companies, the Company recognized losses of approximately NT\$1 billion from the disposal of these investments, in accordance with IFRS on a consolidated basis.

##### (2) Causes of losses and plans for improvement:

In 2013, affected by weak demand and more intense market competition, uncertainty and difficulties in business operations increased substantially. The Company actively sought external strategic partners to promote industry strategic alliances and expand marketing channels in order to increase the Company's profits on a consolidated basis.

(3) Investment plan for the coming year:

Continue to monitor the development of the solar polysilicon industry and other investment projects.

6. With respect to risk management, the following matters occurring during the most recent year and up to the annual report publication date should be analyzed and evaluated accordingly:

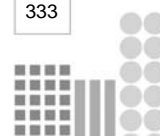
(1) Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures:

| Affected item         | Impact   | Response measures:   |
|-----------------------|--|--|
| Interest rate changes | Net interest expense (interest expense less interest income) in 2013 was approximately NT\$200 million.                          | Based on the particular timing of capital requirements of the annual budget, the Company will acquire cheaper sources of capital from the market at specific points in time, and will also utilize capital market instruments (e.g. interest rate swaps) to lock in interest rate costs for long-term capital needs. |
| Exchange rate changes | Foreign exchange gains for 2013 were approximately NT\$600 million.  | Based on foreign currency positions, the Company will utilize market instruments (e.g. forward foreign exchange contracts) for hedging purposes.   |
| Inflation             | The Company's principal products are not for general public consumption therefore inflation has no direct impact on the Company. | None   |

(2) Policies for engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee and derivatives transactions, profit/loss analysis and future response measures

| Item                                 | Policy  | Major causes of profit or loss | Future response measures |
|--------------------------------------|---|--------------------------------|--------------------------|
| High-risk, high-leverage investments | The Company does not engage in any high-risk, high-leverage investment activities.  | None                           | None                     |
| Lending to others                    | Conducted in accordance with the provisions of the Company's "Management Guidelines on Lending Company Funds to Others"   | None                           | None                     |
| Endorsement/Guarantee                | Conducted in accordance with the provisions of the Company's "Management Guidelines on Endorsement/Guarantee"   | None                           | None                     |
| Derivative instrument transactions   | With respect to derivative instruments, the Company has mainly engaged in hedging transactions related to business operations and investment activities (foreign exchange and non-ferrous metals). For non-ferrous metals, the Company may carry out non-hedging transactions based on authorized positions and under risk management control for the purpose of curbing price volatilities in raw materials. The authorization is conducted in accordance with the Company's "Procedure for Derivatives Products Trading." | None                           | None                     |

(3) Future R&D plans and projected R&D investments: The research and development plans of each business group have been included in the business activities section of the Business Overview, and these plans have



relatively low risks. Please refer to "(3) Overview of Technology and R&D" of "A. Business activities" under the Annual Report's Business Overview.

- (4) Major changes in government policies and laws at home and abroad and the impact on Company finances and business: None
- (5) Impact of recent technological and market changes on the Company's finances and business, and response measures: None
- (6) Impact of corporate image changes on risk management and response measures: None
- (7) Expected benefits and potential risks of merger and acquisition: None
- (8) Expected benefits and potential risks of capacity expansion: None
- (9) Risks associated with over-concentration in purchasing or sales and response measures: None
- (10) Impact of any mass transfer of equity or change in directors, supervisors, or shareholders holding a more than 10% interest in the Company, associated risks and response measures: None
- (11) Impact of change in management rights, associated risk and response measures: None
- (12) Final and non-appealable, as well as pending major litigious, non-litigious or administrative lawsuit events involving the Company, the Company's directors, supervisors and the President during the most recent year and up to the annual report publication date:

1. With respect to pending litigious events as of the date of report, Chiao, Yu-Cheng, the Company's Vice Chairman, has made a reply to the Company as follows:

- i. I am involved in only one pending lawsuit as of the date of the company's annual report:
- ii. Description of the lawsuit:

a. Facts, amount of claim, lawsuit start date, main parties concerned:

The Securities and Futures Investor Protection Center ("SFIPC") filed a lawsuit with Taiwan Taipei District Court on April 27, 2005 over misrepresentation of the financial statements of Pacific Electric Wire & Cable Co., Ltd. ("Pacific Electric"). The lawsuit names myself and others (including other directors, supervisors and the accounting firm) as co-defendants on grounds that I acted as a director of Pacific Electric between 1999 and 2001 and SFIPC requests compensation for damages from the co-defendants (Case No.: Taiwan Taipei District Court (referred to as "Taipei District Court" hereunder) 94-Jing-Zi-#22).

When SFIPC first initiated the action on April 27, 2005, it sought compensation in the amount of NT\$7,910,422,313 from 277 defendants including Pacific Electric. SFIPC later added Fubon Life Insurance and Hsing Yo Investment to the list of defendants on June 21, 2005, bringing the number of defendants to 279. SFIPC subsequently made several expansions and reductions in the number of claims due to increases in the number of people appointing SFIPC as their representative in the class action suit and settlements reached with several defendants. Thus far, the court has been at the stage of procedural examination for a long time. So far, SFIPC has reached settlement with 248 defendants involving a total settlement amount of NT\$196,100,000. The case entered the trial phase in 2009.

b. Current status:

This case is currently in the first instance of proceedings in the Taipei District Court.

c. My and my attorney's views and handling plan for the case:

The case is still in the first instance of proceedings. Oral arguments have begun, but is yet to be concluded. Thus, my appointed attorney and I are not in a position to assess the results of the trial at the present time.

d. Possible maximum loss and possible amount of indemnification from the case:

Based on the settlement information provided by SFIPC, the amount of settlement reached between SFIPC and individual directors or supervisors of Pacific Electric ranges between NT\$12,330,000 and NT\$26,000,000. Thus, even if I am later found to be liable for damages as a director of Pacific Electric at one time, my liability should not be too far off the amounts of settlement described above.

e. I am not financially strapped or in danger of losing my good credit standing as of the date of this reply.

An evaluation of the aforementioned lawsuit by the Company concludes that because the lawsuit is a personal affair of the Vice Chairman and does not involve the Company's finances or business, it is not expected to have any material impact on the interests of the Company's shareholders or stock price.

(13) Other significant risks and response measures:

1. The Company's KPIs:

(1) Financial indicators: Optimizing financial structure and control of bank financing agreements

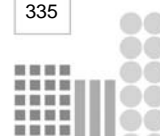
| Ratio                 | Formula   | Target KPI                           | 2013             | 2012             |
|-----------------------|---|--------------------------------------|------------------|------------------|
| Debt ratio            | Net liabilities (Total liabilities - Cash and cash equivalents) / Tangible assets | $\leq 120\%$                         | 73.04%           | 70.83%           |
| Current ratio         | Current assets / Current liabilities  | $\geq 100\%$                         | 147.41%          | 191.98%          |
| Times interest earned | Net income before income tax and interest expense / Current interest expense      | $\geq 150\%$                         | (276.85%)        | (185.51%)        |
| Tangible assets       | Shareholders' equity - Intangible assets  | $\geq \text{NT\$}50 \text{ billion}$ | NT\$59.8 billion | NT\$57.5 billion |

(2) Performance indicators: Return on shareholder's equity; ability of employees to generate revenue, and the Company's ability to control working capital

| Ratio                          | Formula                                       | Target KPI | 2013  | 2012  |
|--------------------------------|---|------------|-------|-------|
| Return on shareholder's equity | After-tax income / Total shareholders' equity | 1%         | (5%)  | (5%)  |
| Employee productivity          | Revenue / No. of employees (in NT\$10,000)    | 2,406      | 2,324 | 2,233 |
| Average days of collection     | 365 days / Receivables turnover ratio         | 38         | 41    | 38    |
| Average days of sales          | 365 days / Inventory turnover ratio           | 54         | 53    | 61    |
| Average days of payment        | 365 days / Payables turnover ratio            | 16         | 16    | 20    |

2. Objectives and methods of hedge accounting:

(1) For relevant hedge accounting policies, refer to "4. Summary of Significant Accounting



Policies" under Section 4 of the Financial Overview, "Financial Statements for the Previous Year and Independent Auditors' Report."

- (2) For financial information on derivative financial instruments for hedging purposes, refer to "9. Derivative Financial Instruments for Hedging Purposes" under Section 4 of the Financial Overview, "Financial Statements for the Previous Year and Independent Auditors' Report."
- (3) For the assessment of and response strategies for liquidity risk and credit risk, refer to "(3) Financial risk management - objectives and policies" of "32. Financial Instruments" under Section 4 of the Financial Overview, "Financial Statements for the Previous Year and Independent Auditors' Report."
- (4) Disclosure of the types, objectives, methods, effectiveness and accounting treatment of hedging transactions that are applicable to financial instruments (including derivative financial instruments):

| Transaction type   | Transaction objective  | Transaction method                 | Transaction effectiveness and accounting treatment   |
|--------------------|--|------------------------------------|--|
| Fair value hedging | Avoidance risk of price changes in raw materials                             | Metal futures contracts            | Not applicable to hedge accounting. Realized net income generated during the year was NT\$1,042,667,000, which was recognized as gains from disposal of investments. |
|                    | Avoidance risk of exchange rate changes in foreign exchange claims and debts | Currency swap contracts            | Not applicable to hedge accounting. Realized net loss generated during the year was NT\$4,825,000, which was recognized as losses from disposal of investments.      |
|                    |  | Forward foreign exchange contracts | Not applicable to hedge accounting. Realized net income generated during the year was NT\$23,332,000, which was recognized as gains from disposal of investments.    |

(14) Risk management organization framework:

| Specific risk                        | Accountable department                 | Risk business items  |
|--------------------------------------|--|--|
| Strategic, business and market risks | Wire & Cable BG                        | Manufacture and sales of products, production technology improvement and engineering management; commitment to improving product quality, lowering costs and improving production systems. |
|                                      | Specialty Steel BG                     |  |
|                                      | Solar Power BG                         |  |
|                                      | Micro Optical-Mechanical-Electronic BG |  |
|                                      | Commerce & Real Estate BG              |  |
|                                      | Metals Division                        | Responsible for the procurement transactions of raw materials, management and control of raw material price risks and other related matters.   |
| Financial and liquidity risks        | Finance Div.                           | Responsible for capital allocation and utilization, financial planning, investment management, risk management and other related matters.  |
| Credit risk                          | Accounting Div.                        | Responsible for accounting, asset management, credit management, business analysis and other related matters.  |
| Legal risk                           | Legal Office                           | Responsible for avoiding and reducing legal risks faced by the company in order to protect tangible and intangible assets.   |

7. Other major issues and events: None



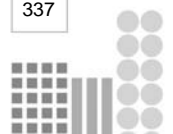
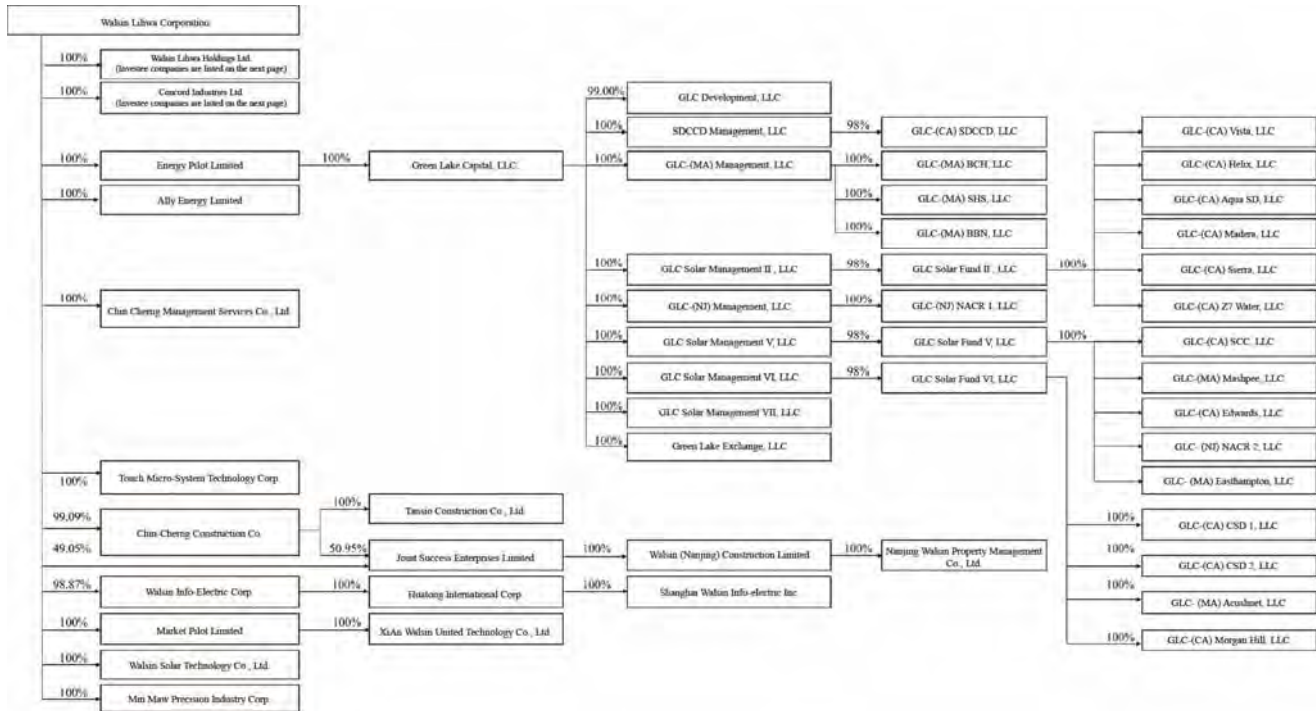


# Special Disclosures

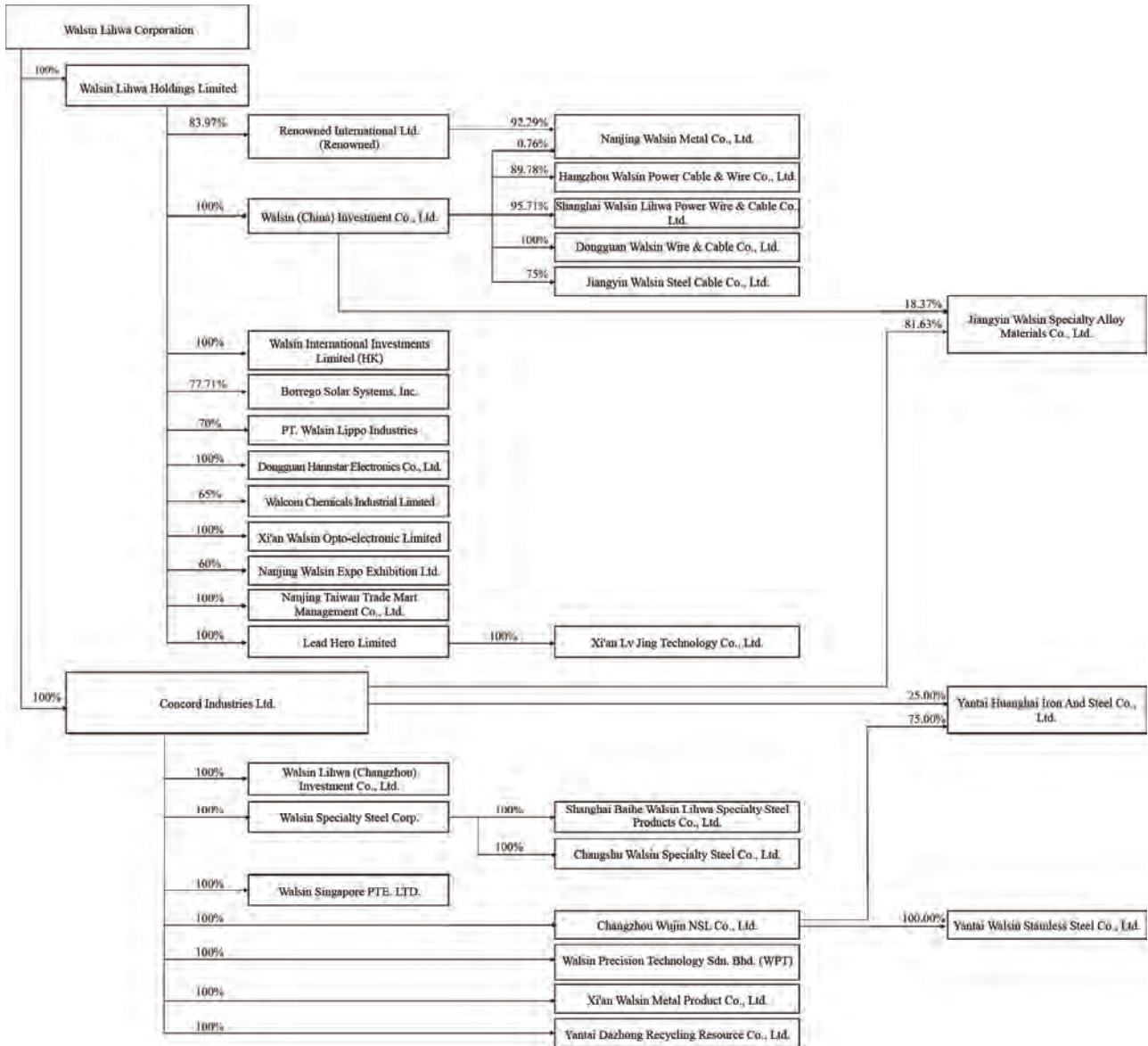
## 1. Affiliates Company Information

### (1) Affiliates

#### 1. Affiliated Organization Chart (December 31, 2013)



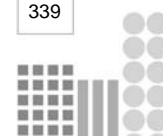
2. Affiliated Organization Chart (December 31, 2013)



## (2) Background Information of the Affiliated Companies

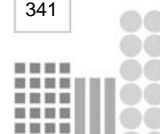
Unit: NT thousands/Original thousands

| Entity   | Date of Incorporation | Address   | Capital     | Main Operation or Business Items  |
|--|-----------------------|---|-------------|---|
| Walsin Lihwa Holdings Limited                      | 1992/7/15             | Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands   | USD 148,665 | Investment holding  |
| Renowned International Limited                     | 1993/3/4              | Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands   | USD 20,172  | Investments   |
| Nanjing Walsin Metal Co., Ltd.                     | 2004/12/27            | No. 1, Hengye Road, Nanjing Economic & Technology Development Zone Jiangsu, China                 | RMB 620,827 | Copper alloy, copper wires cable  |
| Walsin (China) Investment Co., Ltd.                | 1995/11/2             | Rm. 2804, 28th Floor, Shanghai Mart Tower, No. 2299, Yanan Road (West), Shanghai, China           | USD 78,600  | Investments   |
| Hangzhou Walsin Power Cable & Wire Co., Ltd.       | 1995/1/24             | No. 9, 12 Road, Xiasha Economic & Technology Development Zone, Hangzhou, Zhejiang                 | USD 46,480  | Cables and wires  |
| Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. | 1995/3/21             | No. 1128 Liuxiang Road, Nanxiang Town, Jiading, Shanghai  | USD 15,627  | Cables and wires  |
| Dongguan Walsin Wire & Cable Co., Ltd.             | 2000/1/26             | Xiniu Industrial Zone District, Dalang Town, Dongguan, Guangdong                                  | USD 26,000  | Bare copper cables and wires  |
| Jiangyin Walsin Steel Cable Co., Ltd.              | 1992/12/16            | No. 679 Binjiang Road (West), Binjiang Economic & Technology Development Zone, Jiangyin, Jiangsu  | USD 20,000  | Strand, steel wire, galvanized wire   |
| Walsin International Investments Limited           | 1993/12/2             | Unit 9-15, 22/F, Millennium City, 378 Kwun Tong Road, Kwun Tong, Kooloon, Hong Kong               | HKD 0.002   | Investments   |
| Borrego Solar Systems, Inc.                        | 2002/3/1              | 6210 Lake Shore Drive San Diego, CA 92119, USA  | USD 14,526  | Solar electric systems  |
| P.T Walsin Lippo Industries                        | 1991/4/29             | Jl. MH. Thamrin Blok A1-1, Delta Silicon Industrial Park, Lippo Cikarang, Bekasi 17550, Indonesia | USD 15,000  | Steel wires   |
| Dongguan HannStar Electronics Co., Ltd.            | 1998/5/25             | Xiniu Industrial Zone, Dalang Town, Dongguan, Guangdong   | USD 9,600   | Manufacture and sale of wires and cables  |
| Walcom Chemicals Industrial Limited                | 1988/12/29            | Unit 714, 7/F, Miramar Tower, 1-23 Kimberley Road, Tsimshatsui, Kowloon, Hong Kong                | HKD 500     | Commerce  |
| Xian Walsin Opto-electronic Limited                | 2010/12/17            | No. 15, Shanglinyuan First Road, Hi-and-New Tech Park of Xi'an, Shaanxi                           | USD 150     | LED, micro projector, and solar cell assembly   |
| Nanjing Walsin Expo Exhibition Ltd.                | 2009/5/6              | No. 199 Yanshan Road, Nanjing   | RMB 3,000   | Exhibition and conference organizing service  |
| Nanjing Taiwan Trade Mart Management Co., Ltd.     | 2010/4/14             | Room 205, 2/F, No. 156, Mengdu Avenue, Jianye Zone, Nanjing                                       | USD 1,000   | Business management, property management, marketing, planning, advertising and consulting; marketing facilities leasing and marketing management; electronics, machinery, agricultural products, textiles, handicrafts and export, commission agency (except auction) |
| Lead Hero Limited                                  | 2007/5/22             | 12/F Ruttonjee House, 11 Duddell Street, Hong Kong  | HKD 370,028 | Investments   |
| XiAn LyJing Technology Co., Ltd.                   | 2007/8/8              | No. 15, Shanglinyuan First Road, Hi-and-New Tech Park of Xian, Shaanxi                            | USD 45,200  | Solar module assembly   |



| Entity  | Date of Incorporation | Address  | Capital |         | Main Operation or Business Items  |
|---|-----------------------|--|---------|---------|---|
| Concord Industries Limited                            | 1992/8/25             | Trident Chambers Wickhams Cay P.O.Box 146, Road Town, Tortola,British Virgin Islands                           | USD     | 509,124 | Investments   |
| Walsin Lihwa (Changzhou) Investment Co., Ltd.         | 2013/12/16            | 6/F, No.2, Tenglong Road, Wujin Economic Development Area, Jiangsu   | USD     | 49,000  | Investments   |
| Walsin Specialty Steel Corp                           | 1997/8/7              | Offshore Incorporations Centre, Road Town Tortola, British Virgin Islands                                      | USD     | 173,600 | Commerce and Investments  |
| Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. | 1997/8/8              | No. 2402, Waiqingsong Road, Baihe Town, Qing Pu Zone, Shanghai   | USD     | 39,000  | Manufacture and sale of stainless steel                                     |
| Changshu Walsin Specialty Steel Co., Ltd.             | 1997/12/24            | No. 56 Renmin Road, Haiyu Town, Changshu City, Jiangsu Province  | USD     | 97,000  | Manufacture and sale of specialized steel tubes                             |
| Yantai Huanghai Iron and Steel Co., Ltd.              | 2007/3/19             | No. 2 Wuzhishan Road. ETDZ Yantai City, Shantung Province, P.R.C.  | RMB     | 578,796 | Manufacture and sale of steel billets and wire rods                         |
| Walsin Singapore PTE. LTD.                            | 2005/8/23             | 79 Robinson Road #24-08 CPF Building Singapore   | SGD     | 200,990 | Investments   |
| Changzhou Wujin NSL Co., Ltd.                         | 1995/7/21             | No. 280, Changhong Road (West), Wujin Economic & Technology Development Zone, Changzhou City, Jiangsu Province | USD     | 110,000 | Manufacture and sale of steel billets                                       |
| Yantai Huanghai Iron and Steel Co., Ltd.              | 2003/12/20            | No. 2 Wuzhishan Road. ETDZ Yantai City, Shantung Province, P.R.C.  | RMB     | 205,890 | Manufacture and sale of steel billets and wire rods                         |
| Jiangyin Walsin Specialty Alloy Materials Co., Ltd.   | 2005/3/10             | No. 677, Binjiang West Road, Jiangyin City, Jiangsu  | USD     | 49,000  | Cold-rolled stainless steel and flat-rolled products                        |
| Walsin Precision Technology Sdn. Bhd.                 | 2000/3/15             | 2115-1,Kawasan Perindustrian air Keroh, Fasaiv, Air Keroh, 75450 Melaka, Malaysia                              | USD     | 8,470   | stainless steel plates  |
| XiAn Walsin Metal Product Co., Ltd.                   | 2008/6/20             | 2/F, Building B, No. 15, Shanglinyuan First Road, New Industrial Park, Hi-and-New Tech Park of Xian, Shaanxi   | USD     | 10,000  | Production and sale of medium and heavy specialized stainless steel plates. |
| Yantai Dazhong Recycling Resource Co., Ltd.           | 2008/8/12             | Resource Regenerating and Processing Demonstration Area. ETDZ Yantai City, Shantung Province, P.R.C.           | USD     | 30,000  | Recycling and manufacture of steel  |
| Energy Pilot Limited                                  | 2009/7/28             | P.O.Box 957, Offshore Incorporations Centre, Road Town Tortola, BVI  | USD     | 60,670  | Investments   |
| Green Lake Capital, LLC.                              | 2009/8/24             | 1209 Orange Street, Wilmington, Delaware 19801   | USD     | 60,670  | Solar power business  |
| GLC Development, LLC                                  | 2010/4/14             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904  | USD     | 1,148   | Solar power project development   |
| SDCCD Management, LLC                                 | 2010/4/27             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904  | USD     | 2,440   | Solar power management business   |
| GLC-(CA) SDCCD, LLC                                   | 2010/3/8              | 160 Greentree Drive, Suite 101, Dover, Delaware 19904  | USD     | 3,806   | Solarpower systems management, design, installation, and financing          |
| GLC-(MA) Management, LLC                              | 2010/5/14             | 205 Industrial Avenue East, Lowell, Massachusetts 01852  | USD     | 730     | Solar power management business   |
| GLC-(MA) BCH, LLC                                     | 2008/7/31             | 205 Industrial Avenue East, Lowell, Massachusetts 01852  | USD     | 80      | Solarpower systems management, design, installation, and financing          |
| GLC-(MA) SHS, LLC                                     | 2010/9/17             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904  | USD     | 102     | Solarpower systems management, design, installation, and financing          |
| GLC-(MA) BBN, LLC                                     | 2010/9/17             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904  | USD     | 408     | Solarpower systems management, design, installation, and financing          |
| GLC Solar Management II, LLC                          | 2010/7/9              | 160 Greentree Drive, Suite 101, Dover, Delaware 19904  | USD     | 5,532   | Solar power management business   |
| GLC Solar Fund II, LLC                                | 2010/7/9              | 160 Greentree Drive, Suite 101, Dover, Delaware 19904  | USD     | 7,537   | Solarpower systems management, design,                                      |

| Entity                        | Date of Incorporation | Address   | Capital    | Main Operation or Business Items                                   |
|-------------------------------|-----------------------|---|------------|--|
|                               |                       |   |            | installation, and financing  |
| GLC-(CA) Vista, LLC           | 2010/6/7              | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 831    | Solarpower systems management, design, installation, and financing |
| GLC-(CA) Helix, LLC           | 2010/6/7              | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 969    | Solarpower systems management, design, installation, and financing |
| GLC-(CA) Madera, LLC          | 2010/7/9              | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 1,712  | Solarpower systems management, design, installation, and financing |
| GLC-(CA) Z7 Water, LLC        | 2011/1/24             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 1,189  | Solarpower systems management, design, installation, and financing |
| GLC-(CA) Sierra, LLC          | 2010/7/9              | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 1,987  | Solarpower systems management, design, installation, and financing |
| GLC-(CA) Aqua SD, LLC         | 2010/7/9              | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 5,794  | Solarpower systems management, design, installation, and financing |
| GLC-(NJ) Management, LLC      | 2011/1/24             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 271    | Solar power management business                                    |
| GLC-(NJ) NACR 1, LLC          | 2011/1/24             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 271    | Solarpower systems management, design, installation, and financing |
| GLC Solar Management V, LLC   | 2011/1/24             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 8,639  | Solar power management business                                    |
| GLC Solar Fund V, LLC         | 2011/1/24             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 11,707 | Solarpower systems management, design, installation, and financing |
| GLC-(CA) Edwards AFB, LLC     | 2010/7/12             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 10,209 | Solarpower systems management, design, installation, and financing |
| GLC-(NJ) NACR 2, LLC          | 2011/1/24             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 1,211  | Solarpower systems management, design, installation, and financing |
| GLC-(MA) Easthampton, LLC     | 2011/1/24             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 2,855  | Solarpower systems management, design, installation, and financing |
| GLC-(MA) Mashpee, LLC         | 2011/1/24             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 1,099  | Solarpower systems management, design, installation, and financing |
| GLC-(CA) SCC, LLC             | 2011/1/24             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 1,166  | Solarpower systems management, design, installation, and financing |
| GLC Solar Management VI, LLC  | 2011/6/20             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 10,868 | Solar power management business                                    |
| GLC Solar Fund VI, LLC        | 2011/6/20             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 18,125 | Solarpower systems management, design, installation, and financing |
| GLC-(CA) CSD 1, LLC           | 2011/10/26            | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 4,817  | Solarpower systems management, design, installation, and financing |
| GLC-(CA) CSD 2, LLC           | 2011/10/26            | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 8,091  | Solarpower systems management, design, installation, and financing |
| GLC-(MA) Acushnet, LLC        | 2011/10/26            | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 12,724 | Solarpower systems management, design, installation, and financing |
| GLC-(CA) Morgan Hill, LLC     | 2011/2/9              | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 1,480  | Solarpower systems management, design, installation, and financing |
| GLC Solar Management VII, LLC | 2011/11/17            | 160 Greentree Drive, Suite 101, Dover, Delaware 19904 | USD 18,995 | Solar power management business                                    |



| Entity                                       | Date of Incorporation | Address   | Capital |           | Main Operation or Business Items  |
|--|-----------------------|---|---------|-----------|---|
| Green Lake Exchange, LLC                     | 2011/8/23             | 160 Greentree Drive, Suite 101, Dover, Delaware 19904                                     | USD     | 3,625     | Solar power project development   |
| Ally Energy Limited                          | 2010/3/23             | P.O.Box 957, Offshore Incorporations Centre, Road Town Tortola, BVI                       | USD     | 64,698    | Investments   |
| Chin-Cherng Management Service Co., Ltd.     | 1989/6/16             | 26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan                                | NTD     | 4,916     | Business administration consultation, analysis and building management  |
| Touch Micro-System Technology Corp.          | 2004/4/2              | 566 Gaoshin Road, Yangmei Township, Taoyuan 326 Taiwan, R.O.C.                            | NTD     | 21,000    | OEM on MEMS foundry service   |
| Chin-Cherng Construction Co.                 | 1973/6/28             | 5th Floor, 192 Jingye 1st Road, Zhongshan District, Taipei 104, Taiwan, R.O.C.            | NTD     | 2,222,956 | Construction business   |
| Tahsio Construction Co., Ltd.                | 1975/10/16            | 4F., No. 192, Jingye 1st Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)           | NTD     | 22,500    | 1. Construction of building<br>2. Construction contracting for wood works and painting project<br>3. Construction contracting for ironware, water, electricity (utility) projects, and sanitary equipment |
| Joint Success Enterprises Limited            | 2004/1/8              | P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | USD     | 77,520    | Investments   |
| Walsin (Nanjing) Construction Limited        | 2005/8/9              | 2nd Floor, 156 Dream, Jianye District, Nanjing City, Jiangsu Province                     | USD     | 50,000    | Construction, rental and sale of buildings and industrial factories   |
| Nanjing Walsin Property Management Co., Ltd. | 2013/1/30             | No. 230, Hexi Avenue, Jianye Zone, Nanjing, Jiangsu                                       | RMB     | 1,000     | Property management, business management and housing leasing  |
| Walsin Info-Electric Corp.                   | 1995/6/21             | No. 4, Yanxin 3rd Rd., East Dist., Hsinchu City 300, Taiwan (R.O.C.)                      | NTD     | 240,000   | Research, development, production and sale of semiconductors and related components   |
| Huatong International Corp.                  | 2007/6/22             | Offshore Chambers, P.O. Box 217, Apia Samoa   | USD     | 1,299     | Investments   |
| Shanghai Walsin Info-electric Inc.           | 2007/10/18            | Room 2809, No. 2299, Yan'an West Road, Changning District, Shanghai                       | RMB     | 8,200     | Design of electrical and mechanical systems, management advisory services, and wholesale of electrical and mechanical devices and their components  |
| Market Pilot Limited                         | 2010/7/1              | P.O.Box 957, Offshore Incorporations Centre, Road Town Tortola, BVI                       | USD     | 100,000   | Investments   |
| XiAn Walsin United Technology Co., Ltd.      | 2006/4/24             | No. 15, Shanglinyuan First Road, Hi-and-New Tech Park of Xian, Shaanxi                    | USD     | 99,900    | Electronic devices and module   |
| Walsin Solar Technology Co., Ltd.            | 2011/1/25             | 25F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan                                | NTD     | 100,000   | Solar power manufacturing and selling operations  |
| Min Maw Precision Industry Corp.             | 1970/10/17            | 25F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan                                | NTD     | 210,000   | Solar power systems management, design, and installation  |

(3) Presumed to have control and affiliation Common Shareholders Information: Not applicable.

(4) Affiliated Companies Industries the main Industries of affiliated companies:

1. Wire and cable industry
2. Special steel industry
3. Business real estate
4. General investment industry

5. Other: green energy photovoltaic industry

Above table include the main operation or business items of Each affiliated company.

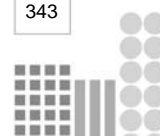
The division of work of affiliated companies:

Each line of business affiliates operate independently, partially some affiliates have the purchases, sales, engineering contracting trading and marketing agency services and other projects with each other.

(5) Directors, Supervisors, and Presidents of the Affiliated Companies(2013.12.31)

Share : USD thousands or RMB thousands ; per : %

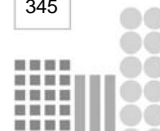
| Entity                   | Title                              | Name of the Representation                                       | Shareholding |         |
|--------------------------|------------------------------------|--|--------------|---------|
|                          |                                    |  | Shares       | Holding |
| Walsin Lihwa Corporation | Chairman                           | Chiao, Yu-Lon  | 45,961,773   | 1.29%   |
|                          | Vice Chairman                      | Chiao, Yu-Cheng  | 39,508,661   | 1.10%   |
|                          | Director                           | Cheng, Hui-Ming  | 600,000      | 0.02%   |
|                          | Director                           | Chiao, Yu-Hwei   | 52,529,006   | 1.47%   |
|                          | Director                           | Chiao, Yu-Heng   | 58,957,197   | 1.65%   |
|                          | Director                           | Chang, Wen-Chung   | 514,786      | 0.01%   |
|                          | Director                           | Yang, Jih-Chang  | 0            | 0.00%   |
|                          | Director                           | Tai, Yi-Yi   | 0            | 0.00%   |
|                          | Director                           | Chin-Xin Investment Co., Ltd.                                    | 102,187,289  | 2.86%   |
|                          | Director of legal representative   | Representative of Chin-Xin Investment Co., Ltd. : Hong, Wu-Shung | 877,316      | 0.02%   |
|                          | Director                           | Tien Mu Investment Co. Ltd                                       | 2,281,512    | 0.06%   |
|                          | Director of legal representative   | Representative of Tien Mu Investment Co. Ltd : Lin, Wang- Tsai   | 69,200       | 0.00%   |
|                          | Supervisor                         | Chu, Wen-Yuan  | 3,694,218    | 0.10%   |
|                          | Supervisor                         | Walsin Technology Corp.  | 7,170,000    | 0.20%   |
|                          | Supervisor of legal representative | Representative of Walsin Technology Corp. : Chu, Yeu-Yuh         | 55,065       | 0.00%   |
|                          | CEO                                | Chiao, Yu-Lon  | 45,961,773   | 1.29%   |
|                          | General manager                    | Cheng, Hui-Ming  | 600,000      | 0.02%   |
|                          | General manager                    | Chiao, Yu-Hwei   | 52,529,006   | 1.47%   |
|                          | General manager                    | Chang, Wen-Chung   | 514,786      | 0.01%   |
|                          | General manager                    | Hu, Ching-Jen  | 373,200      | 0.01%   |
|                          | Vice general manager               | Pan, Wen-Hu  | 107,300      | 0.00%   |
|                          | Vice general manager               | Cheng, Chung-Wu  | 102,700      | 0.00%   |
|                          | Vice general manager               | Lin, Tung-Ben  | 0            | 0.00%   |
| Vice general manager     | Liu, Suy-Tao                       | 56,103   | 0.00%        |         |
| Vice general manager     | Chen, Juei-Lung                    | 100,800  | 0.00%        |         |
| Vice general manager     | Chen, Cheng-Chiang                 | 244,722  | 0.01%        |         |



| Entity                                       | Title                   | Name of the Representation  | Shareholding |         |         |
|--|-------------------------|---|--------------|---------|---------|
|  |                         |   | Shares       | Holding |         |
|  | Vice general manager    | Chen, Tien-Rong   | 101,300      | 0.00%   |         |
| Concord Industries Limited                   | Director                | Representative of Walsin Lihwa Corporation : Chiao, Yu-Cheng \ Chiao, Yu-Lon \ Pan, Wen-Hu  | 148,664,834  | 100.00% |         |
| Renowned International Limited               | Director                | Representative of Concord Industries Limited : Chiao, Yu-Hwei \ Cheng, Chung-Wu \ Lin, Yu-Tsung   | 16,937,020   | 83.97%  |         |
|  | Director                | Representative of Itochu Corporation : Hiroshi Ichinose   | 1,396,964    | 6.93%   |         |
|  | Director                | Marubeni Corporation : Kunihiko Akiyama   | 1,396,964    | 6.93%   |         |
| Nanjing Walsin Metal Co., Ltd.               | Chairman                | Chiao, Yu-Hwei  | RMB          | 0       | 0.00%   |
|  | Vice Chairman           | Xiao Bao Min  | RMB          | 0       | 0.00%   |
|  | Vice Chairman           | Cheng, Chung-Wu   | RMB          | 0       | 0.00%   |
|  | General manager         | Liao, Chih-Cheng  | RMB          | 0       | 0.00%   |
|  | Director                | Representative of Renowned International Limited : Chiao, Yu-Hwei \ Cheng, Chung-Wu \ Lin, Tung-Ben \ Wu, Chin-Sheng \ Liao, Chih-Cheng \ Kunihiko Akiyama \ Hiroshi Ichinose | RMB          | 572,961 | 92.29%  |
|  | Director                | Representative of Nanjing Xingang High-Tech Co., Ltd. : Xiao, Bao-Min   | RMB          | 32,407  | 5.22%   |
|  | Director                | Representative of Nanjing Suyi Industrial Limited Company : Wu Jun  | RMB          | 7,760   | 1.25%   |
|  | Director                | Representative of China Netcom Jiangsu Branch : He, Jian-Quan   | RMB          | 2,980   | 0.48%   |
|  | Director                | Representative of Walsin (China) Investment Co., Ltd. : Cao, Jian-Hua   | RMB          | 4,718   | 0.76%   |
|  | Supervisor              | Representative of Renowned International Limited : Lin, Yu-Tsung  | RMB          | 572,961 | 92.29%  |
|  | Supervisor              | Representative of Nanjing Xingang High-Tech Co., Ltd. : Lu, Tang-Jun  | RMB          | 32,407  | 5.22%   |
|  | Employee representative | Xu Jun  | RMB          | 0       | 0.00%   |
| Walsin (China) Investment Co., Ltd.          | Chairman                | Cao, Jian-Hua   | USD          | 0       | 0.00%   |
|  | General manager         | Pan, Wen-Hu   | USD          | 0       | 0.00%   |
|  | Director                | Representative of Concord Industries Limited : Cao, Jian-Hua \ Chen, Cheng-Chiang \ Pan, Wen-Hu   | USD          | 78,600  | 100.00% |
|  | Supervisor              | Representative of Concord Industries Limited : Wu, Chin-Sheng   | USD          | 78,600  | 100.00% |
| Hangzhou Walsin Power Cable & Wire Co., Ltd. | Chairman                | Chiao, Yu-Hwei  | USD          | 0       | 0.00%   |
|  | General manager         | Tetsuji Matsuike  | USD          | 0       | 0.00%   |
|  | Director                | Representative of Sumitomo Electric Industries, Ltd. : Takahiro Nakano  | USD          | 4,750   | 10.22%  |
|  | Director                | Representative of Walsin (China) Investment Co., Ltd. : Chiao, Yu-Hwei \ Cheng,   | USD          | 41,730  | 89.78%  |

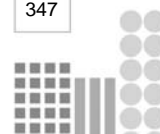


| Entity   | Title           | Name of the Representation   | Shareholding |         |
|--|-----------------|--|--------------|---------|
|  |                 |  | Shares       | Holding |
|  |                 | Chung-Wu \ Lin, Tung-Ben \ Lu, Chin-Jen  |              |         |
|  | Supervisor      | Representative of Walsin (China) Investment Co., Ltd. : Wu, Chin-Sheng   | USD 41,730   | 89.78%  |
| Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. | Chairman        | Chiao, Yu-Hwei   | USD 0        | 0.00%   |
|  | Vice Chairman   | Zhao, Yu-Long  | USD 0        | 0.00%   |
|  | General manager | Lin, San-Lang  | USD 0        | 0.00%   |
|  | Director        | Representative of Shanghai Nanxiang Economic Development Zone Industrial Co. Ltd. : Zhao, Yu-Long \ Xu Lung  | USD 671      | 4.29%   |
|  | Director        | Representative of Walsin (China) Investment Co., Ltd. : Chiao, Yu-Hwei \ Lin, San-Lang \ Cheng, Chung-Wu \ Liu, Suy-Tao \ Lin, Tung-Ben \ Yu, Sheng-Fang \ Lin, Shu-Ting | USD 14,956   | 95.71%  |
|  | Supervisor      | Representative of Walsin (China) Investment Co., Ltd. : Wu, Chin-Sheng   | USD 14,956   | 95.71%  |
| Dongguan Walsin Wire & Cable Co., Ltd.             | Chairman        | Chiao, Yu-Hwei   | USD 0        | 0.00%   |
|  | General manager | Chuang, Chih-Ming  | USD 0        | 0.00%   |
|  | Director        | Representative of Walsin (China) Investment Co., Ltd.: Chiao, Yu-Hwei \ Lin, Yu-Tsung \ Cheng, Chung-Wu \ Lin, San-Lang \ Lin, Tung-Ben                                  | USD 26,000   | 100.00% |
| Jiangyin Walsin Steel Cable Co., Limited (JHS)     | Chairman        | Cheng, Chung-Wu  | USD 0        | 0.00%   |
|  | Vice Chairman   | Liao, Chih-Cheng   | USD 0        | 0.00%   |
|  | Vice Chairman   | Xiang Liu  | USD 0        | 0.00%   |
|  | General manager | Zhou Qi  | USD 0        | 0.00%   |
|  | Director        | Representative of Fasten Group : Liu Xiang \ Zhang Yue   | USD 5,000    | 25.00%  |
|  | Director        | Representative of Walsin (China) Investment Co., Ltd. : Cheng, Chung-Wu \ Liao, Chih-Cheng \ Chiao, Yu-Hwei \ Lin, Tung-Ben \ Yu, Sheng-Fang                             | USD 15,000   | 75.00%  |
|  | Supervisor      | Representative of Walsin (China) Investment Co., Ltd. : Wu, Chin-Sheng   | USD 15,000   | 75.00%  |
| Walsin Lihwa (Changzhou) Investment Co., Ltd.      | Director        | Chen, Cheng-Chiang \ Pan, Wen-Hu   | 2            | 100.00% |
| Borrego Solar Systems, Inc.                        | Chairman        | Stan Chang   | 0            | 0.00%   |
|  | General manager | Michael Adam Hall  | 58,587       | 3.12%   |
|  | Director        | Representative of Concord Industries Limited : Stan Chang \ Hsieh, Kun-Han \ Jason Tai   | 1,460,458    | 77.71%  |
|  | Director        | Aaron Stephen Hall   | 147,174      | 7.83%   |
|  | Director        | Michael Adam Hall  | 58,587       | 3.12%   |



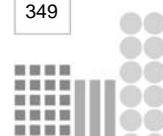
| Entity   | Title                          | Name of the Representation  | Shareholding |         |
|--|--------------------------------|---|--------------|---------|
|  |                                |   | Shares       | Holding |
| P.T. Walsin Lippo Industries ("P.T. Walsin")   | President<br>Commissioner      | Representative of P.T. Multi Prima Sejahtera, Tbk, : Rudy Nanggulangi   | 4,500        | 30.00%  |
|  | Vice President<br>Commissioner | Representative of Concord Industries Limited : Chiao, Yu-Lon  | 10,500       | 70.00%  |
|  | President<br>Director          | Representative of Concord Industries Limited : Ou Yang Kai-Dai  | 10,500       | 70.00%  |
|  | Vice President<br>Director     | Representative of P.T. Multi Prima Sejahtera, Tbk, : Hery Soegiarto   | 4,500        | 30.00%  |
|  | Director                       | Representative of Concord Industries Limited : Pan, Sy-Ru \ David Karman \ Ardinand Roynald P \ Andre Kelsen, Foe | 10,500       | 70.00%  |
| Dongguan Hannstar Electronics Co., Ltd.        | Chairman                       | Chiao, Yu-Hwei  | 0            | 0.00%   |
|  | Vice Chairman                  | Liu, Suy-Tao  | 0            | 0.00%   |
|  | General manager                | Tseng, Yih-Shiuan   | 0            | 0.00%   |
|  | Director                       | Representative of Concord Industries Limited :Chiao, Yu-Hwei \ Cheng, Chung-Wu \ Liu, Suy-Tao                     | USD 9,600    | 100.00% |
|  | Supervisor                     | Representative of Concord Industries Limited : Wu, Chin-Sheng   | USD 9,600    | 100.00% |
| Walcom Chemicals Industrial Limited            | Director                       | Chi Hao   | 174,999      | 35.00%  |
|  | Director                       | Liang Qi Ying   | 1            | 0.00%   |
|  | Director                       | Chen, Yong-Taig   | 0            | 0.00%   |
| XiAn Walsin Opto-electronic Limited            | Chairman                       | Hu, Ching-Jen   | USD 0        | 0.00%   |
|  | General manager                | Kuo, Yung-Chun  | USD 0        | 0.00%   |
|  | Director                       | Representative of Concord Industries Limited : Hu, Ching-Jen \ Kuo, Yung-Chun \ Wu, Chin-Sheng                    | USD 150      | 100.00% |
|  | Supervisor                     | Representative of Concord Industries Limited : Lin, Shu-Ting  | USD 150      | 100.00% |
| Nanjing Walsin Expo Exhibition Co., Ltd.       | Chairman                       | Zhang Qing-Xuan   | RMB 0        | 0.00%   |
|  | General manager                | Wu, Xue-Wu  | RMB 0        | 0.00%   |
|  | Director                       | Representative of Concord Industries Limited : Chiao, Yu-Lon \ Wu, Xue-Wu \ Chen, Jing-Ru                         | RMB 1,800    | 60.00%  |
|  | Director                       | Representative of Nanjing Hexi Convention and Exhibition Co.,Ltd. : Zhang, Qing-Xuan \ Zhao, Chun-Le              | RMB 1,200    | 40.00%  |
|  | Supervisor                     | Representative of Concord Industries Limited : Chen, Yi-Chung   | RMB 1,800    | 60.00%  |
| Nanjing Taiwan Trade Mart Management Co., Ltd. | Chairman                       | Chiao, Tzu-Yi   | USD 0        | 0.00%   |
|  | General manager                | Zhou Min  | USD 0        | 0.00%   |
|  | Director                       | Representative of Concord Industries Limited : Chiao, Tzu-Yi \ Wu, Xue-Wu \ Zhou Min                              | USD 1,000    | 100.00% |
|  | Supervisor                     | Representative of Concord Industries Limited Pan, Sy-Ru   | USD 1,000    | 100.00% |

| Entity  | Title           | Name of the Representation  | Shareholding |         |
|---|-----------------|---|--------------|---------|
|   |                 |   | Shares       | Holding |
| Lead Hero Limited                                     | Director        | Representative of Concord Industries Limited : Pan, Wen-Hu \ Lu Tang, Ji-Ming   | 370,028,101  | 100.00% |
| XiAn Ly Jing Technology Co., Ltd.                     | Chairman        | Chen, Cheng-Chiang  | USD 0        | 0.00%   |
|   | General manager | Hsieh, Kun-Han  | USD 0        | 0.00%   |
|   | Director        | Representative of Lead Hero Limited : Chen, Cheng-Chiang \ Hsieh, Kun-Han \ Wu, Chin-Sheng  | USD 45,200   | 100.00% |
|   | Supervisor      | Representative of Lead Hero Limited : Chen, Yi-Chung  | USD 45,200   | 100.00% |
| Concord Industries Limited                            | Director        | Representative of Walsin Lihwa Corporation : Chiao, Yu-Cheng \ Chiao, Yu-Lon \ Pan, Wen-Hu  | 509,123,630  | 100.00% |
| Walsin Lihwa (Changzhou) Investment Co., Ltd.         | Chairman        | Cao, Jian-Hua   | USD 0        | 0.00%   |
|   | General manager | Pan, Wen-Hu   | USD 0        | 0.00%   |
|   | Director        | Representative of Concord Industries Limited : Cao, Jian-Hua \ Pan, Wen-Hu \ Wen, Ter-Chen  | USD 49,000   | 100.00% |
|   | Supervisor      | Representative of Concord Industries Limited : Wu, Chin-Sheng   | USD 49,000   | 100.00% |
| Walsin Specialty Steel Corp                           | Director        | Representative of Concord Industries Limited : Chiao, Ting-Piao \ Chiao, Yu-Lon \ Chiao, Yu-Hwei \ Chang, Wen-Chung \ Pan, Wen-Hu     | 173,600,000  | 100.00% |
| Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. | Chairman        | Chang, Wen-Chung  | USD 0        | 0.00%   |
|   | General manager | Chen, Cheng-Chiang  | USD 0        | 0.00%   |
|   | Director        | Representative of Walsin Specialty Steel Corp : Chang, Wen-Chung \ Chen, Cheng-Chiang \ Chen, Tien-Rong \ Hung, Wen-Nan               | USD 39,000   | 100.00% |
|   | Supervisor      | Representative of Walsin Specialty Steel Corp : Wu, Chin-Sheng  | USD 39,000   | 100.00% |
| Changshu Walsin Specialty Steel Co., Ltd.             | Chairman        | Chang, Wen-Chung  | USD 0        | 0.00%   |
|   | Vice Chairman   | Chen, Tien-Rong   | USD 0        | 0.00%   |
|   | General manager | Lin, Shih-Chieh   | USD 0        | 0.00%   |
|   | Director        | Representative of Walsin Specialty Steel Corp : Chang, Wen-Chung \ Chen, Tien-Rong \ Cao, Jian-Hua \ Lin, Shih-Chieh \ Wu, Chin-Sheng | USD 97,000   | 100.00% |
|   | Supervisor      | Representative of Walsin Specialty Steel Corp : Yu, Sheng-Fang  | USD 97,000   | 100.00% |
| Yantai Huanghai Iron and Steel Co., Ltd.              | Chairman        | Chang, Wen-Chung  | RMB 0        | 0.00%   |
|   | General manager | Chen, Cheng-Chiang  | RMB 0        | 0.00%   |
|   | Director        | Representative of Changzhou Wujin NSL Co., Ltd. : Chang, Wen-Chung \ Chen, Cheng-Chiang \ Yu, Sheng-Fang                              | RMB 578,796  | 100.00% |
|   | Supervisor      | Representative of Changzhou Wujin NSL Co., Ltd. : Wu, Chin-Sheng  | RMB 578,796  | 100.00% |



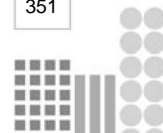
| Entity  | Title           | Name of the Representation  | Shareholding |         |
|---|-----------------|---|--------------|---------|
|   |                 |   | Shares       | Holding |
| Walsin Singapore PTE. Ltd.                          | Liquidator      | Chee Yoh Chuang \ Lin Yueh Hung   | 0            | 0.00%   |
| Changzhou Wujin NSL Co., Ltd.                       | Liquidator      | Representative of Concord Industries Limited : Pan, Wen-Hu \ Pan, Sy-Ru \ Yang, Hsiang-Hsin \ Wu, Hong-Po             | USD 110,000  | 100.00% |
| Yantai Huanghai Iron and Steel Co., Ltd.            | Chairman        | Chang, Wen-Chung  | RMB 0        | 0.00%   |
|   | General manager | Chen, Cheng-Chiang  | RMB 0        | 0.00%   |
|   | Director        | Representative of Concord Industries Limited : Chang, Wen-Chung   | RMB 51,472   | 25.00%  |
|   | Director        | Representative of Changzhou Wujin NSL Co., Ltd. : Chen, Cheng-Chiang \ Sheu, Hornng-Sheng                             | RMB 154,418  | 75.00%  |
|   | Supervisor      | Representative of Changzhou Wujin NSL Co., Ltd. : Wu, Chin-Sheng  | RMB 154,418  | 75.00%  |
| Jiangyin Walsin Specialty Alloy Materials Co., Ltd. | Chairman        | Chang, Wen-Chung  | USD 0        | 0.00%   |
|   | General manager | Wang, Chih-Ta   | USD 0        | 0.00%   |
|   | Director        | Representative of Concord Industries Limited : Chang, Wen-Chung \ Chen, Cheng-Chiang                                  | USD 40,000   | 81.63%  |
|   | Director        | Representative of Walsin (China) Investment Co., Ltd. : Cao, Jian-Hua   | USD 9,000    | 18.37%  |
|   | Supervisor      | Representative of Concord Industries Limited : Wu, Chin-Sheng   | USD 40,000   | 81.63%  |
| Walsin Precision Technology Sdn. Bhd.               | Chairman        | Chang, Wen-Chung  | 0            | 0.00%   |
|   | General manager | Chang, Chien-Hsin   | 0            | 0.00%   |
|   | Director        | Representative of Concord Industries Limited : Chang, Wen-Chung \ Chang, Chien-Hsin \ Chen, Jen-Yang \ Wu, Chin-Sheng | 32,178,385   | 100.00% |
| XiAn Walsin Metal Product Co., Ltd.                 | Chairman        | Chang, Wen-Chung  | USD 0        | 0.00%   |
|   | General manager | Kuo, Ching-Tang   | USD 0        | 0.00%   |
|   | Director        | Representative of Concord Industries Limited : Chang, Wen-Chung \ Kuo, Ching-Tang \ Chen, Cheng-Chiang                | USD 10,000   | 100.00% |
|   | Supervisor      | Representative of Concord Industries Limited : Wu, Chin-Sheng   | USD 10,000   | 100.00% |
| Yantai Dazhong Recycling Resource Co., Ltd.         | Chairman        | Chang, Wen-Chung  | USD 0        | 0.00%   |
|   | General manager | Chen, Cheng-Chiang  | USD 0        | 0.00%   |
|   | Director        | Representative of Concord Industries Limited : Chang, Wen-Chung \ Lee, Chien-Kuo \ Chen, Cheng-Chiang                 | USD 30,000   | 100.00% |
|   | Supervisor      | Representative of Concord Industries Limited : Wu, Chin-Sheng   | USD 30,000   | 100.00% |
| Energy Pilot Limited                                | Director        | Representative of Concord Industries Limited : Lu Tang, Ji-Ming \ Pan, Wen-Hu   | 60,670,001   | 100.00% |
| Green Lake Capital, LLC.                            | General manager | Jason Tai   | USD 60,670   | 100.00% |

| Entity                       | Title | Name of the Representation  | Shareholding |         |
|------------------------------|-------|---|--------------|---------|
|                              |       |   | Shares       | Holding |
| GLC Development, LLC         |       | Corporate shareholders representative of Green Lake Capital, LLC. : Jason Tai     | USD 1,143    | 99.00%  |
| SDCCD Management, LLC        |       | Corporate shareholders representative of Green Lake Capital, LLC. : Jason Tai     | USD 2,440    | 100.00% |
| GLC-(CA) SDCCD, LLC          |       | Corporate shareholders representative of SDCCD Management, LLC : Jason Tai        | USD 2,440    | 98.00%  |
| GLC-(MA) Management, LLC     |       | Corporate shareholders representative of Green Lake Capital, LLC. : Jason Tai     | USD 730      | 100.00% |
| GLC-(MA) BCH, LLC            |       | Corporate shareholders representative of GLC-(MA) Management, LLC : Jason Tai     | USD 80       | 100.00% |
| GLC-(MA) SHS, LLC            |       | Corporate shareholders representative of GLC-(MA) Management, LLC : Jason Tai     | USD 102      | 100.00% |
| GLC-(MA) BBN, LLC            |       | Corporate shareholders representative of GLC-(MA) Management, LLC : Jason Tai     | USD 408      | 100.00% |
| GLC Solar Management II, LLC |       | Corporate shareholders representative of Green Lake Capital, LLC. : Jason Tai     | USD 5,532    | 100.00% |
| GLC Solar Fund II, LLC       |       | Corporate shareholders representative of GLC Solar Management II, LLC : Jason Tai | USD 5,532    | 98.00%  |
| GLC-(CA) Vista, LLC          |       | Corporate shareholders representative of GLC Solar Fund II, LLC : Jason Tai       | USD 831      | 100.00% |
| GLC-(CA) Helix, LLC          |       | Corporate shareholders representative of GLC Solar Fund II, LLC : Jason Tai       | USD 969      | 100.00% |
| GLC-(CA) Aqua SD, LLC        |       | Corporate shareholders representative of GLC Solar Fund II, LLC : Jason Tai       | USD 5,794    | 100.00% |
| GLC-(CA) Madera, LLC         |       | Corporate shareholders representative of GLC Solar Fund II, LLC : Jason Tai       | USD 1,712    | 100.00% |
| GLC-(CA) Sierra, LLC         |       | Corporate shareholders representative of GLC Solar Fund II, LLC : Jason Tai       | USD 1,987    | 100.00% |
| GLC-(CA) Z7 Water, LLC       |       | Corporate shareholders representative of GLC Solar Fund II, LLC : Jason Tai       | USD 1,189    | 100.00% |
| GLC-(NJ) Management, LLC     |       | Corporate shareholders representative of Green Lake Capital, LLC. : Jason Tai     | USD 271      | 100.00% |
| GLC-(NJ) NACR 1, LLC         |       | Corporate shareholders representative of GLC-(NJ) Management, LLC : Jason Tai     | USD 271      | 100.00% |
| GLC Solar Management V, LLC  |       | Corporate shareholders representative of Green Lake Capital, LLC. : Jason Tai     | USD 8,639    | 100.00% |
| GLC Solar Fund V, LLC        |       | Corporate shareholders representative of GLC Solar Management V, LLC : Jason Tai  | USD 8,639    | 98.00%  |
| GLC-(CA) SCC, LLC            |       | Corporate shareholders representative of GLC Solar Fund V, LLC : Jason Tai        | USD 1,166    | 100.00% |
| GLC-(MA) Mashpee, LLC        |       | Corporate shareholders representative of GLC Solar Fund V, LLC : Jason Tai        | USD 1,099    | 100.00% |
| GLC-(CA) Edwards, LLC        |       | Corporate shareholders representative of GLC Solar Fund V, LLC : Jason Tai        | USD 10,209   | 100.00% |
| GLC-(NJ) NACR 2, LLC         |       | Corporate shareholders representative of GLC Solar Fund V, LLC : Jason Tai        | USD 1,211    | 100.00% |
| GLC-(MA) Easthampton, LLC    |       | Corporate shareholders representative of GLC Solar Fund V, LLC : Jason Tai        | USD 2,855    | 100.00% |
| GLC Solar Management VI, LLC |       | Corporate shareholders representative of Green Lake Capital, LLC. : Jason Tai     | USD 10,868   | 100.00% |
| GLC Solar Fund VI, LLC       |       | Corporate shareholders representative of GLC Solar Management VI, LLC : Jason Tai | USD 10,868   | 98.00%  |



| Entity                                   | Title           | Name of the Representation  | Shareholding |         |
|--|-----------------|---|--------------|---------|
|  |                 |   | Shares       | Holding |
| GLC-(CA) CSD 1, LLC                      |                 | Corporate shareholders representative of GLC Solar Fund VI, LLC : Jason Tai                                 | USD 4,817    | 100.00% |
| GLC-(CA) CSD 2, LLC                      |                 | Corporate shareholders representative of GLC Solar Fund VI, LLC : Jason Tai                                 | USD 8,091    | 100.00% |
| GLC-(MA) Acushnet, LLC                   |                 | Corporate shareholders representative of GLC Solar Fund VI, LLC : Jason Tai                                 | USD 12,724   | 100.00% |
| GLC-(CA) Morgan Hill, LLC                |                 | Corporate shareholders representative of GLC Solar Fund VI, LLC : Jason Tai                                 | USD 1,480    | 100.00% |
| GLC Solar Management VII, LLC            |                 | Corporate shareholders representative of Green Lake Capital, LLC. : Jason Tai                               | USD 18,995   | 100.00% |
| Green Lake Exchange, LLC                 |                 | Corporate shareholders representative of Green Lake Capital, LLC. : Jason Tai                               | USD 3,625    | 100.00% |
| Ally Energy Limited                      | Director        | Representative of Walsin Lihwa Corporation : Lu Tang, Ji-Ming \ Pan, Wen-Hu                                 | 64,698,247   | 100.00% |
| Chin-Cherng Management Service Co., Ltd. | Chairman        | Chiao, Yu-Hwei  | 0            | 0.00%   |
|  | General manager | Chiao, Yu-Hwei  | 0            | 0.00%   |
|  | Director        | Representative of Walsin Lihwa Corporation : Chiao, Yu-Hwei \ Lin Wang-Tsai \ Lin, Tung-Ben                 | 491,625      | 100.00% |
|  | Supervisor      | Representative of Walsin Lihwa Corporation : Lee, Chien-Kuo   | 491,625      | 100.00% |
| Touch Micro-System Technology Corp.      | Chairman        | Chiao, Yu-Lon   | 0            | 0.00%   |
|  | Director        | Representative of Walsin Lihwa Corporation : Chiao, Yu-Lon \ Hu, Ching-Jen \ Yu, Sheng-Fang                 | 2,100,000    | 100.00% |
|  | Supervisor      | Representative of Walsin Lihwa Corporation : Wu, Chin-Sheng   | 2,100,000    | 100.00% |
| Chin-Cherng Construction Co.             | Chairman        | Hong, Wu-Shung  | 167,990      | 0.08%   |
|  | General manager | Hong, Wu-Shung  | 167,990      | 0.08%   |
|  | Director        | Representative of Walsin Lihwa Corporation : Chiao, Yu-Cheng \ Chiao, Yu-Lon \ Pan, Wen-Hu \ Wu, Chin-Sheng | 220,272,539  | 99.09%  |
|  | Supervisor      | Representative of Dingshin Development Co., Ltd. : Lin, Wang-Tsai   | 10,000       | 0.00%   |
| Tahsio Construction Co., Ltd.            | Chairman        | Chu, I-Chih   | 0            | 0.00%   |
|  | General manager | Chu, I-Chih   | 0            | 0.00%   |
|  | Director        | Representative of Chin-Cherng Construction Co. : Chu I-Chih \ Lin, Chao-Jen \ Jseng, Hui-Chi                | 2,250,000    | 100.00% |
|  | Supervisor      | Representative of Chin-Cherng Construction Co. : Yu, Hsin-Mei   | 2,250,000    | 100.00% |
| Joint Success Enterprises Limited        | Director        | Representative of Chin-Cherng Construction Co. : Lu Tang, Ji-Ming \ Pan, Wen-Hu                             | 39,500,000   | 50.95%  |
| Walsin (Nanjing) Construction Limited    | Chairman        | Cao, Jian-Hua   | USD 0        | 0.00%   |
|  | General manager | Pan, Wen-Hu   | USD 0        | 0.00%   |
|  | Director        | Representative of Joint Success Enterprises Limited : Chiao, Yu-Lon \ Hong,                                 | USD 50,000   | 100.00% |

| Entity                                       | Title           | Name of the Representation   | Shareholding |         |
|--|-----------------|--|--------------|---------|
|  |                 |  | Shares       | Holding |
|  |                 | Wu-Shung \ Cao, Jian-Hua   |              |         |
|  | Supervisor      | Representative of Joint Success Enterprises Limited : Chen, Yi-Chung   | USD 50,000   | 100.00% |
| Nanjing Walsin Property Management Co., Ltd. | Chairman        | Pan, Wen-Hu  | RMB 0        | 0.00%   |
|  | General manager | Chen Lin   | RMB 0        | 0.00%   |
|  | Director        | Representative of Walsin (Nanjing) Construction Limited : Pan, Wen-Hu \ Chiao, Tzu-Yi \ Albert Chou                        | RMB 1,000    | 100.00% |
|  | Supervisor      | Representative of Walsin (Nanjing) Construction Limited : Wu, Chin-Sheng   | RMB 1,000    | 100.00% |
| Walsin Info-Electric Corp.                   | Chairman        | Chiao, Yu-Lon  | 0            | 0.00%   |
|  | Vice Chairman   | Lin, Wang-Tsai   | 0            | 0.00%   |
|  | General manager | Hsieh, Kun-Han   | 0            | 0.00%   |
|  | Director        | Representative of Walsin Lihwa Corporation : Chiao, Yu-Lon \ Lin Wang-Tsai \ Pan, Wen-Hu \ Hsieh, Kun-Han \ Wu, Chin-Sheng | 23,728,623   | 98.87%  |
|  | Supervisor      | Pan, Sy-Ru   | 0            | 0.00%   |
| Huatong International Corp.                  | Director        | Representative of Walsin Info-Electric Corp. : Lu Tang, Ji-Ming \ Pan, Wen-Hu  | 1,299        | 100.00% |
| Shanghai Walsin Info-electric Inc.           | Chairman        | Chen, Cheng-Chiang   | 0            | 0.00%   |
|  | General manager | Hsieh, Kun-Han   | 0            | 0.00%   |
|  | Director        | Representative of Huatong International Corp. : Chen, Cheng-Chiang \ Hsieh, Kun-Han \ Wu, Chin-Sheng                       | RMB 8,200    | 100.00% |
|  | Supervisor      | Representative of Huatong International Corp. : Chen, Yi-Chung   | RMB 8,200    | 100.00% |
| Market Pilot Limited                         | Director        | Representative of Walsin Lihwa Corporation : Lu Tang, Ji-Ming \ Pan, Wen-Hu  | 100,000,000  | 100.00% |
| XiAn Walsin United Technology Co., Ltd.      | Chairman        | Hu, Ching-Jen  | USD 0        | 0.00%   |
|  | General manager | Hu, Ching-Jen  | USD 0        | 0.00%   |
|  | Director        | Representative of Market Pilot Limited : Hu, Ching-Jen \ Chen, Cheng-Chiang \ Pan, Wen-Hu                                  | USD 99,900   | 100.00% |
|  | Supervisor      | Representative of Market Pilot Limited : Chen, Yi-Chung  | USD 99,900   | 100.00% |
| Walsin Solar Technology Co., Ltd.            | Chairman        | Chiao, Yu-Lon  | 0            | 0.00%   |
|  | General manager | Pan, Wen-Hu  | 0            | 0.00%   |
|  | Director        | Representative of Walsin Lihwa Corporation : Chiao, Yu-Lon \ Chuang, Yen-Shan \ Hu, Ching-Jen                              | 10,000,000   | 100.00% |
|  | Supervisor      | Representative of Walsin Lihwa Corporation : Wu, Chin-Sheng  | 10,000,000   | 100.00% |



| Entity                           | Title           | Name of the Representation  | Shareholding |         |
|----------------------------------|-----------------|---|--------------|---------|
|                                  |                 |   | Shares       | Holding |
| Min Maw Precision Industry Corp. | Chairman        | Lin Wang-Tsai   | 0            | 0.00%   |
|                                  | General manager | Hsieh, Kun-Han  | 0            | 0.00%   |
|                                  | Director        | Representative of Walsin Lihwa Corporation : Lin Wang-Tsai 、 Hsieh, Kun-Han 、 Yang, Hsiang-Hsin | 21,000,000   | 100.00% |
|                                  | Supervisor      | Representative of Walsin Lihwa Corporation : Pan, Sy-Ru   | 21,000,000   | 100.00% |

(6) Operating Condition of the Affiliated Companies

Unit : NT\$ thousands

| Entity  | Capital    | Total Assets | Total Liabilities | Net Worth  | Sales      | Operating Income | Net Income | EPS (NT\$) |
|---|------------|--------------|-------------------|------------|------------|------------------|------------|------------|
| Walsin Lihwa Corporation                              |            |              |                   |            |            |                  |            |            |
| Concord Industries Limited (Note 1)                   | 4,430,955  | 35,145,701   | 23,053,670        | 12,092,031 | 72,410,627 | 110,605          | 642,575    | N/A        |
| Walsin (China) Investment Co., Ltd.                   | 2,342,673  | 19,050,772   | 15,970,311        | 3,080,461  | 19,499     | (44,895)         | 106,482    | N/A        |
| Hangzhou Walsin Power Cable & Wire Co., Ltd.          | 1,385,336  | 3,701,416    | 3,811,435         | (110,019)  | 2,006,406  | (375,357)        | (533,377)  | N/A        |
| Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.    | 465,763    | 1,787,580    | 828,387           | 959,193    | 4,144,260  | 69,449           | 54,404     | N/A        |
| Dongguan Walsin Wire & Cable Co., Ltd.                | 774,930    | 12,333,821   | 10,445,166        | 1,888,655  | 14,295,622 | (90,199)         | 91,285     | N/A        |
| Jiangyin Walsin Steel Cable Co., Limited (JHS)        | 596,100    | 2,124,782    | 910,208           | 1,214,574  | 2,514,296  | 129,052          | 514,282    | N/A        |
| Renowned International Limited                        | 601,219    | 4,615,084    | 0                 | 4,615,084  | 0          | (68)             | 280,784    | 14.23      |
| Nanjing Walsin Metal Co., Ltd.                        | 2,420,166  | 9,495,850    | 4,498,380         | 4,997,470  | 47,360,701 | 225,487          | 329,968    | N/A        |
| Walsin International Investments Limited              | 0          | 19,942       | 86,898            | (66,956)   | 0          | (4,367)          | (1,938)    | N/A        |
| P.T. Walsin Lippo Industries ("P.T. Walsin")          | 447,075    | 922,452      | 321,349           | 601,103    | 1,060,071  | 76,087           | 59,410     | 3,960.65   |
| XiAn Walsin Opto-electronic Limited                   | 4,471      | 2,892        | 140,189           | (137,297)  | 57,432     | (38,908)         | (46,681)   | N/A        |
| Nanjing Walsin Expo Exhibition Co., Ltd.              | 13,084     | 4,245        | 207               | 4,038      | 320        | (2,107)          | (2,091)    | N/A        |
| Borrego Solar Systems, Inc.                           | 432,955    | 2,034,242    | 1,355,188         | 679,054    | 4,029,180  | 207,847          | 124,841    | 66.43      |
| Nanjing Taiwan Trade Mart Management Co., Ltd.        | 29,805     | 5,757        | 769,755           | (763,998)  | 43,909     | (104,770)        | (210,926)  | N/A        |
| Lead Hero Limited                                     | 1,422,018  | 789,051      | 935               | 788,116    | 0          | (96)             | (11,643)   | N/A        |
| XiAn Ly Jing Technology Co., Ltd.                     | 1,347,186  | 887,005      | 109,069           | 777,936    | 0          | (3,095)          | (13,317)   | N/A        |
| Dongguan Hannstar Electronics Co., Ltd.               | 286,128    | 256,000      | 29,554            | 226,446    | 98,548     | (51,725)         | (72,730)   | N/A        |
| Walcom Chemicals Industrial Limited                   | 1,922      | 3            | 67,179            | (67,176)   | 0          | (17)             | (17)       | N/A        |
| Concord Industries Limited (Note 2)                   | 17,045,990 | 24,010,290   | 10,181,041        | 13,829,249 | 13,922,093 | (703,491)        | (878,071)  | N/A        |
| Jiangyin Yuan Tai Stainless Steel Products Co., Ltd.  | 0          | 0            | 0                 | 0          | 0          | (1,712)          | 3,352      | N/A        |
| XiAn Walsin Metal Product Co., Ltd.                   | 298,050    | 611,446      | 1,373,285         | (761,839)  | 833,163    | (85,757)         | (284,625)  | N/A        |
| Jiangyin Walsin Specialty Alloy Materials Co., Ltd.   | 1,460,445  | 3,386,916    | 1,859,178         | 1,527,738  | 1,606,916  | 15,173           | 120,855    | N/A        |
| Walsin Precision Technology Sdn. Bhd.                 | 252,448    | 561,836      | 86,995            | 474,841    | 626,712    | (8,084)          | (4,952)    | (0.15)     |
| Walsin Specialty Steel Corp                           | 5,174,148  | 4,486,252    | 1,237             | 4,485,015  | 0          | (5,089)          | 100,765    | N/A        |
| Changshu Walsin Specialty Steel Co., Ltd.             | 2,891,085  | 6,167,272    | 3,507,754         | 2,659,518  | 4,851,980  | (8,772)          | 313,369    | N/A        |
| Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. | 1,162,395  | 3,271,178    | 3,674,964         | (403,786)  | 7,365,639  | (347,265)        | (180,248)  | N/A        |
| Walsin Singapore Pte. Ltd.                            | 4,744,700  | 2,466,234    | 0                 | 2,466,234  | 0          | (18)             | (209,301)  | N/A        |
| Yantai Huanghai Iron and Steel Co., Ltd.              | 2,829,514  | 3,698,034    | 4,191,096         | (493,062)  | 5,954,416  | (227,397)        | (506,387)  | N/A        |
| Changzhou Wujin NSL Co., Ltd.                         | 3,278,550  | 2,383,925    | 244,168           | 2,139,757  | 0          | (25,747)         | (158,320)  | N/A        |
| Yantai Dazhong Recycling Resource Co., Ltd.           | 894,150    | 1,181,303    | 240,613           | 940,690    | 961,257    | (2,004)          | 1,430      | N/A        |
| Yantai Huanghai Iron and Steel Co., Ltd.              | 1,006,518  | 364,046      | 28,019            | 336,027    | 258,191    | (1,252)          | (1,558)    | N/A        |
| Walsin Lihwa (Changzhou) Investment Co., Ltd.         | 1,460,445  | 1,460,466    | 0                 | 1,460,466  | 0          | 0                | (4,394)    | N/A        |
| Energy Pilot Limited                                  | 1,808,269  | 1,651,715    | 0                 | 1,651,715  | 0          | 0                | (39,843)   | N/A        |



| Entity   | Capital                                      | Total Assets | Total Liabilities | Net Worth | Sales     | Operating Income | Net Income  | EPS (NT\$)  |       |
|--|--|--------------|-------------------|-----------|-----------|------------------|-------------|-------------|-------|
| Green Lake Capital, LLC (註 3)                    | 1,808,269                                    | 4,761,677    | 2,660,514         | 2,101,163 | 390,143   | 180,658          | (39,849)    | N/A         |       |
| GLC Development, LLC                             | 34,216                                       | 599,379      | 34,812            | 564,567   | 75,143    | 69,769           | 69,769      | N/A         |       |
| SDCCD Management, LLC                            | 72,724                                       | 76,897       | 238               | 76,659    | 1,188     | 1,009            | 1,277       | N/A         |       |
| GLC-(CA) SDCCD, LLC                              | 113,438                                      | 534,642      | 381,891           | 152,751   | 51,214    | 34,706           | 26,542      | N/A         |       |
| GLC-(MA) Management, LLC                         | 21,758                                       | 21,787       | 89                | 21,698    | 0         | (30)             | 4,661       | N/A         |       |
| GLC-(MA) BCH, LLC                                | 2,384  | 34,574       | 26,437            | 8,137     | 3,503     | 1,900            | 1,633       | N/A         |       |
| GLC-(MA) SHS, LLC                                | 3,040  | 16,929       | 11,713            | 5,216     | 1,722     | 1,098            | 1,009       | N/A         |       |
| GLC-(MA) BBN, LLC                                | 12,160                                       | 41,161       | 22,890            | 18,271    | 3,889     | 2,316            | 2,049       | N/A         |       |
| GLC Solar Management II, LLC                     | 164,881                                      | 170,127      | 268               | 169,859   | 1,633     | 1,455            | 1,870       | N/A         |       |
| GLC Solar Fund II, LLC                           | 224,640                                      | 505,791      | 307,766           | 198,025   | 0         | (2,019)          | 40,971      | N/A         |       |
| GLC-(CA) Vista, LLC                              | 24,798                                       | 74,065       | 40,922            | 33,143    | 4,097     | 3,058            | 2,375       | N/A         |       |
| GLC-(CA) Helix, LLC                              | 28,881                                       | 85,093       | 47,241            | 37,852    | 4,750     | 3,622            | 2,791       | N/A         |       |
| GLC-(CA) Madera, LLC                             | 51,026                                       | 229,916      | 154,807           | 75,109    | 19,031    | 16,032           | 12,737      | N/A         |       |
| GLC-(CA) Z7 Water, LLC                           | 35,438                                       | 102,619      | 55,974            | 46,645    | 7,274     | 5,819            | 4,899       | N/A         |       |
| GLC-(CA) Sierra, LLC                             | 59,223                                       | 236,443      | 167,295           | 69,148    | 12,499    | 9,382            | 5,967       | N/A         |       |
| GLC-(CA) Aqua, LLC                               | 172,690                                      | 448,655      | 244,461           | 204,194   | 26,215    | 19,298           | 14,399      | N/A         |       |
| GLC-(NJ) Management, LLC                         | 8,077  | 8,077        | 387               | 7,690     | 0         | (178)            | 2,583       | N/A         |       |
| GLC-(NJ)NACR I LLC                               | 8,077  | 145,359      | 136,656           | 8,703     | 17,338    | 12,113           | 2,761       | N/A         |       |
| GLC Solar Management V, LLC                      | 257,485                                      | 262,254      | 298               | 261,956   | 1,781     | 1,603            | 2,049       | N/A         |       |
| GLC Solar Fund V, LLC                            | 348,927                                      | 674,726      | 345,678           | 329,048   | 0         | (2,613)          | 45,246      | N/A         |       |
| GLC-(MA) Edwards, LLC                            | 304,279                                      | 780,176      | 423,618           | 356,558   | 60,209    | 39,308           | 31,055      | N/A         |       |
| GLC-(NJ) NACR 2, LLC                             | 36,094                                       | 121,962      | 78,596            | 43,366    | 15,290    | 11,163           | 9,322       | N/A         |       |
| GLC-(MA) Easthampton, LLC                        | 85,093                                       | 358,703      | 277,872           | 80,831    | 19,684    | 3,741            | (1,158)     | N/A         |       |
| GLC-(MA) Mashpee, LLC                            | 32,756                                       | 88,223       | 53,023            | 35,200    | 4,127     | 1,841            | 1,158       | N/A         |       |
| GLC-(CA) SCC, LLC                                | 34,753                                       | 202,346      | 152,363           | 49,983    | 12,885    | 10,629           | 7,689       | N/A         |       |
| GLC Solar Management VI, LLC                     | 323,921                                      | 353,815      | 18,777            | 335,038   | 8,283     | 8,105            | 8,164       | N/A         |       |
| GLC Solar Fund VI, LLC                           | 540,216                                      | 1,139,475    | 631,657           | 507,818   | 0         | (9,708)          | 5,225       | N/A         |       |
| GLC-(CA) CSD 1, LLC                              | 143,571                                      | 312,267      | 155,463           | 156,804   | 16,952    | 14,815           | 11,994      | N/A         |       |
| GLC-(CA) CSD 2, LLC                              | 241,152                                      | 647,424      | 412,263           | 235,161   | 7,689     | (2,227)          | (5,938)     | N/A         |       |
| GLC-(MA) SFVI-Acushnet, LLC                      | 379,239                                      | 968,245      | 591,629           | 376,616   | 50,917    | 18,853           | 4,958       | N/A         |       |
| GLC-(CA) Morgan Hill, LLC                        | 44,111                                       | 109,593      | 59,968            | 49,625    | 7,363     | 6,413            | 5,166       | N/A         |       |
| GLC Solar Management VII, LLC                    | 566,146                                      | 611,718      | 40,654            | 571,064   | 2,049     | 1,900            | 4,631       | N/A         |       |
| Green Lake Exchange, LLC                         | 108,043                                      | 251,226      | 129,533           | 121,693   | 82,209    | 13,033           | 13,033      | N/A         |       |
| Touch Micro-System Technology Corp.              | 21,000                                       | 7,025        | 2,700             | 4,325     | 201,380   | 58,559           | 96,641      | 46.02       |       |
| Chin-Cherng Management Service Co., Ltd.         | 4,916  | 7,638        | 279               | 7,359     | 6,629     | 1,351            | 132         | 0.27        |       |
| Walsin Info-Electric Corp.                       | 240,000                                      | 615,990      | 300,995           | 314,995   | 310,248   | 22,528           | 13,752      | 0.57        |       |
| The Subsidiaries of Walsin Info-Electric Corp.   | Huatong International Corp.                  | 37,975       | 66,983            | 0         | 66,983    | 0                | 0           | (1,033)     | N/A   |
|  | Shanghai Walsin Info-electric Inc.           | 37,886       | 67,049            | 73        | 66,976    | 11,463           | (369)       | (1,033)     | N/A   |
| Market Pilot Limited(Notes 5)                    | 2,980,500                                    | 1,898,417    | 1,208,245         | 690,172   | 250,460   | (543,874)        | (2,006,836) | N/A         |       |
| The Subsidiaries of Market Pilot                 | XiAn Walsin United Technology Co., Ltd.      | 2,977,520    | 1,868,313         | 1,208,247 | 660,066   | 250,460          | (543,832)   | (2,005,943) | N/A   |
| Chin-Cherng Construction Co.                     | 2,222,956                                    | 3,041,234    | 7,420             | 3,033,814 | 158,601   | 80,693           | (39,440)    | (0.03)      |       |
| The Subsidiaries of Chin-Cherng Construction Co. | Joint Success Enterprises Limited            | 2,490,083    | 4,049,508         | 41,504    | 4,008,004 | 0                | (1,444)     | (221,959)   | N/A   |
|  | Walsin (Nanjing) Construction Limited        | 1,597,857    | 11,023,007        | 7,836,003 | 3,187,004 | 128,957          | (232,057)   | (194,865)   | N/A   |
|  | Nanjing Walsin Property Management Co., Ltd. | 4,703        | 5,270             | 26,061    | (20,791)  | 7,925            | (25,938)    | (25,195)    | N/A   |
|  | Tahsio Construction Co., Ltd.                | 100,000      | 97,426            | 1,094     | 96,332    | 1,890            | (511)       | 69,678      | 30.97 |
| Walsin Solar Technology Co., Ltd.                | 100,000                                      | 7,649        | 5,401             | 2,248     | 0         | (11,127)         | (14,901)    | (1.49)      |       |
| Min Maw Precision Industry Corp.                 | 210,000                                      | 1,290,301    | 1,040,143         | 250,158   | 85,033    | 61,839           | 35,780      | 1.70        |       |
| Ally Energy Limited                              | 1,917,566                                    | 3,792        | 0                 | 3,792     | 0         | 0                | (272,378)   | 1.70        |       |

Note 1 : The assets, liabilities and net income of Concord Industries Limited include the subsidiaries'.

Note 2 : The assets, liabilities and net income of Concord Industries Limited include the subsidiaries'.

Note 3 : The assets, liabilities and net income of Green Lake Capital, LLC include the subsidiaries'.

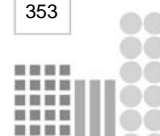
Note 4 : Chin-Xin Investment Co., Ltd. had not been the subsidiaries of the Company on November 26, 2013.

Note 5 : The assets, liabilities and net income of Market Pilot Limited include the subsidiaries'.

Note 6 : The currency exchange rate as of December 31, 2013 was as follows: US\$/NT\$=1 : 29.805 (average rate : US\$/NT\$ 1 : 29.689) RMB/NT\$=1 : 4.88862 (average rate : RMB/NT\$=1 : 4.79715)

(7) Endorsement guarantee by related enterprises, capital lending and related parties' transaction information: Reference to "Financial Status IV financial statements of recent years".

2. Progress of private placement of securities during the latest year and up to the date of annual report publication: None.



3. The subsidiaries' shareholding or disposal of the company's shares during the latest year and up to the date of annual report publication: None.

4. Other supplemental information

1. Status of license acquisition by personnel involved in financial information transparency:

| Status of license acquisition by personnel involved in financial information transparency: | Accounting Div. | Auditing Office | Finance Div. |
|--|-----------------|-----------------|--------------|
| Certified Public Accountant, Taiwan ROC  | 4               | 1               | -            |
| International certified internal auditor   | 2               | 4               | -            |
| International Certification in Control Self-Assessment                                     | -               | 1               | -            |
| Certified Information Systems Auditor  | -               | 1               | -            |
| Certified in Risk Management Assurance   | -               | 1               | -            |
| Chartered Financial Analyst  | -               | -               | 1            |
| Financial Risk Manager   | -               | -               | 1            |
| IPMA Level D Certificated Project Management Associate                                     | -               | -               | 1            |
| Certification for Enterprise Internal Control Basic Ability, ROC                           | 3               | -               | -            |

2. The Company's procedures for major internal information processing operations:

In order to establish an effective handling and disclosure mechanism for major internal information processing operations so that unauthorized information leakage can be avoided, consistency and accuracy of information disclosed by the Company to the public can be maintained, and insider trading prevented, the Company has established "Procedures for major internal information processing operations," to be complied with by all staff. In addition, the Company has made available copies of this document to the Company's directors and supervisors and has uploaded an electronic copy to the Company's electronic bulletin board for the benefit of all managerial officers and staff members.

3. The valuation basis of recognized valuation accounts in assets and liabilities:

| Valuation Accounts in Assets and Liabilities | Valuation Method  | Valuation Basis  |                       |    |                       |      |                       |     |                         |     |                         |     |                         |     |                               |      |
|--|---|--|-----------------------|----|-----------------------|------|-----------------------|-----|-------------------------|-----|-------------------------|-----|-------------------------|-----|-------------------------------|------|
| Allowance for Bad Debt                       | The aging analysis and individual assessment method   | <p>1.Monthly: Excluded guaranteed and related party receivables,the receivables which are not be recoverable should be recognized 100% as allowance for bad debt.<br/>Others are past due should be recognized as allowance for bad debt in according to following proportions.</p> <table> <tr> <td>(1) Overdue1-3 months</td> <td>1%</td> </tr> <tr> <td>(2) Overdue4-6 months</td> <td>7.5%</td> </tr> <tr> <td>(3) Overdue7-9 months</td> <td>15%</td> </tr> <tr> <td>(4) Overdue10-12 months</td> <td>30%</td> </tr> <tr> <td>(5) Overdue13-18 months</td> <td>50%</td> </tr> <tr> <td>(6) Overdue18-24 months</td> <td>75%</td> </tr> <tr> <td>(7) Overdue more than 2 years</td> <td>100%</td> </tr> </table> <p>2.Quarterly:Excluded guaranteed and related party receivables,view all remaining receivables, if there is objective evidence of impairment , the individual amounts recognize 100% as allowance for bad debt;if not but the receivable is overdue, estimated the recoverable time and discounted its present value by effective rate to recognize as allowance for bad debt.</p> | (1) Overdue1-3 months | 1% | (2) Overdue4-6 months | 7.5% | (3) Overdue7-9 months | 15% | (4) Overdue10-12 months | 30% | (5) Overdue13-18 months | 50% | (6) Overdue18-24 months | 75% | (7) Overdue more than 2 years | 100% |
| (1) Overdue1-3 months                        | 1%  |  |                       |    |                       |      |                       |     |                         |     |                         |     |                         |     |                               |      |
| (2) Overdue4-6 months                        | 7.5%  |  |                       |    |                       |      |                       |     |                         |     |                         |     |                         |     |                               |      |
| (3) Overdue7-9 months                        | 15%   |  |                       |    |                       |      |                       |     |                         |     |                         |     |                         |     |                               |      |
| (4) Overdue10-12 months                      | 30%   |  |                       |    |                       |      |                       |     |                         |     |                         |     |                         |     |                               |      |
| (5) Overdue13-18 months                      | 50%   |  |                       |    |                       |      |                       |     |                         |     |                         |     |                         |     |                               |      |
| (6) Overdue18-24 months                      | 75%   |  |                       |    |                       |      |                       |     |                         |     |                         |     |                         |     |                               |      |
| (7) Overdue more than 2 years                | 100%  |  |                       |    |                       |      |                       |     |                         |     |                         |     |                         |     |                               |      |
| Allowance for Inventory Valuation            | <p>1.Lower of cost and net realisable value</p> <p>2.The aging analysis of inventory obsolescence</p> | <p>1.Inventories have orders<br/>Evaluate by the orders' net realisable value.</p> <p>2.Inventories have no orders<br/>(1) non-obsolescence:Evaluate by the market value<br/>(2) obsolescence: If over 180 days,after deduction the scrap prices recognized 100% as allowance for inventory valuation.</p>   |                       |    |                       |      |                       |     |                         |     |                         |     |                         |     |                               |      |

4. The basis of financial instruments fair value except stocks:

Forward exchange contracts: Determined with reference to quoted market prices.

Exchange rate swap contract: Determined with reference to quoted market prices.

Commodity futures contracts: Determined with reference to buyer quoted or seller quoted for buyer/seller contracts.

5. Corporate events with material impact on shareholders' equity or stock prices set forth in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act during the most recent year and up to the annual report publication date: None.

