Dynamic Medical Technologies Inc. and Subsidiaries

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

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Dynamic Medical Technologies Inc.

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

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

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

Deloitte & Touche

March 12, 2014

<u>Notice to Readers</u>

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail. Also, as stated in Note 4 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

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

ASSETS	December 31, 2013 Amount	%	December 31, 2012 Amount	%	January 1, 2012 Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 578,005	34	$ 522,876	32	$ 586,725	35
Debt investments with no active market - current (Note 9)	110,200	6	120,000	7	-	-
Notes receivable (Note 10)	120,111	7	157,249	10	194,025	12
Notes receivable from related parties (Note 28)	-	-	1,710	-	-	-
Trade receivables (Note 10)	97,860	6	149,230	9	185,179	11
Lease payments receivable (Note 11)	12,520	1	8,349	1	-	-
Trade receivables from related parties (Note 28)	-	-	2,405	-	2,844	-
Inventories (Note 12)	336,242	20	351,421	22	398,004	24
Other current assets (Notes 14 and 28)	18,116	1	19,729	1	31,511	2
Total current assets	1,273,054	75	1,332,969	82	1,398,288	84
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Note 8)	135,096	8	67,700	4	49,487	3
Property, plant and equipment (Note 13)	153,656	9	109,916	7	120,029	7
Computer software	654	-	919	-	61	-
Other intangible assets	597	-	-	-	-	-
Deferred tax assets (Note 23)	30,686	2	33,739	2	29,087	2
Refundable deposits	59,433	4	35,587	2	32,257	2
Long-term notes receivable (Note 10)	6,927	-	13,207	1	20,093	1
Long-term trade receivables (Note 10)	6,343	-	12,320	1	10,095	1
Long-term lease payments receivable (Note 11)	19,713	1	8,873	1	-	-
Long-term trade receivables from related parties (Note 28)	-	-	5,510	-	4,503	-
Prepaid pension cost - non-current (Note 20)	216	-	-	-	-	-
Other financial assets - non-current (Note 29)	9,000	1	-	-	-	-
Other non-current assets (Note 14)	5,726	-	2,060	-	2,588	-
Total non-current assets	428,047	25	289,831	18	268,200	16
TOTAL	$ 1,701,101	100	$ 1,622,800	100	$ 1,666,488	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 15)	$ -	-	$ 1,525	-	$ 75,652	5
Financial liabilities at fair value through profit or loss - current (Note 7)	-	-	-	-	14	-
Notes payable (Note 17)	1,021	-	-	-	267	-
Trade payables (Note 17)	36,156	2	46,517	3	66,632	4
Trade payables to related parties (Note 28)	73	-	-	-	-	-
Other payables (Note 18)	120,234	7	94,391	6	89,230	5
Other payables to related parties (Note 28)	1,750	-	578	-	467	-
Current tax liabilities	5,759	-	9,450	-	24,835	2
Provisions - current (Note 19)	7,625	1	13,071	1	4,872	-
Collections in advance	102,500	6	74,771	5	114,937	7
Current portion of liability component of convertible bonds (Note 16)	315,302	19	-	-	-	-
Other current liabilities (Note 18)	768	-	1,465	-	1,059	-
Total current liabilities	591,188	35	241,768	15	377,965	23
NON-CURRENT LIABILITIES						
Liability component of convertible bonds (Note 16)	-	-	307,782	19	300,422	18
Provisions - non-current (Note 19)	11,855	1	12,261	1	13,330	1
Deferred tax liabilities (Note 23)	828	-	-	-	578	-
Accrued pension liabilities (Note 20)	-	-	4,129	-	4,590	-
Total non-current liabilities	12,683	1	324,172	20	318,920	19
Total liabilities	603,871	36	565,940	35	696,885	42
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital						
Ordinary shares (Note 21)	265,000	16	265,000	16	265,000	16
Capital surplus (Note 21)	433,361	25	425,604	26	424,884	25
Retained earnings (Note 21)						
Legal reserve	84,841	5	73,549	5	58,062	4
Special reserve	2,050	-	-	-	5,025	-
Unappropriated earnings	101,210	6	182,427	11	212,243	13
Total retained earnings	188,101	11	255,976	16	275,330	17
Other equity (Note 21)	85,881	5	13,476	1	(543)	-
Total equity attributable to owners of the Company	972,343	57	960,056	59	964,671	58
NON-CONTROLLING INTERESTS (Note 21)	124,887	7	96,804	6	4,932	-
Total equity	1,097,230	64	1,056,860	65	969,603	58
TOTAL	$ 1,701,101	100	$ 1,622,800	100	$ 1,666,488	100

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

DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

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

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUE (Note 28)				
Sales	$ 713,299	80	$ 903,207	84
Workshop service	92,196	10	90,155	8
Other operating revenue	92,930	10	83,395	8
Total operating revenue	898,425	100	1,076,757	100
OPERATING COSTS (Note 22)				
Cost of goods sold	513,749	57	569,086	53
Cost of workshop service	43,115	5	39,467	4
Other operating cost	52,921	6	23,524	2
Total operating costs	609,785	68	632,077	59
GROSS PROFIT	288,640	32	444,680	41
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing expenses	168,339	19	211,085	20
General and administrative expenses	77,130	8	96,473	9
Total operating expenses	245,469	27	307,558	29
PROFIT FROM OPERATIONS	43,171	5	137,122	12
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Other income	10,462	1	6,287	1
Other gains and losses	4,860	1	(110)	-
Finance costs	(7,550)	(1)	(7,906)	(1)
Total non-operating income and expenses	7,772	1	(1,729)	-
PROFIT BEFORE INCOME TAX	50,943	6	135,393	12
INCOME TAX EXPENSE (Note 23)	13,214	2	25,381	2
NET PROFIT FOR THE YEAR	37,729	4	110,012	10
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	6,035	1	(5,051)	-
Unrealized gain on available-for-sale financial assets	67,396	8	18,213	2

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DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

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

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
Actuarial gain arising from defined benefit plans	$ 3,989	-	$ 107	-
Income tax relating to the components of other comprehensive income	(1,704)	-	839	-
Other comprehensive income for the year, net of income tax	75,716	9	14,108	2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 113,445	13	$ 124,120	12
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 41,439	5	$ 113,613	10
Non-controlling interests	(3,710)	(1)	(3,601)	-
	$ 37,729	4	$ 110,012	10
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 117,155	13	$ 127,721	12
Non-controlling interests	(3,710)	-	(3,601)	-
	$ 113,445	13	$ 124,120	12
EARNINGS PER SHARE (Note 24)				
Basic	$1.56		$4.29	
Diluted	$1.56		$4.19	

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

DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company										
			Retained Earnings			Other Equity					
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Difference on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2012	$ 265,000	$ 424,884	$ 58,062	$ 5,025	$ 212,243	$ 2,830	$ (3,373)	$ (543)	$ 964,671	$ 4,932	$ 969,603
Reversal of special reserve to unappropriated earnings	-	-	-	(5,025)	5,025	-	-	-	-	-	-
Appropriation of the 2011 earnings											
Legal reserve	-	-	15,487	-	(15,487)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(132,500)	-	-	-	(132,500)	-	(132,500)
Adjustments arising from changes in percentage of ownership interest in subsidiaries	-	720	-	-	-	-	-	-	720	(720)	-
Additional acquisition of partially-owned subsidiaries	-	-	-	-	(556)	-	-	-	(556)	(1,944)	(2,500)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	98,137	98,137
Net profit for year ended December 31, 2012	-	-	-	-	113,613	-	-	-	113,613	(3,601)	110,012
Other comprehensive income (loss) for year ended December 31, 2012	-	-	-	-	89	(4,194)	18,213	14,019	14,108	-	14,108
Total comprehensive income (loss) for the year ended December 31, 2012	-	-	-	-	113,702	(4,194)	18,213	14,019	127,721	(3,601)	124,120
BALANCE, DECEMBER 31, 2012	265,000	425,604	73,549	-	182,427	(1,364)	14,840	13,476	960,056	96,804	1,056,860
Appropriation of the 2013 earnings											
Legal reserve	-	-	11,292	-	(11,292)	-	-	-	-	-	-
Special reserve	-	-	-	2,050	(2,050)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(112,625)	-	-	-	(112,625)	-	(112,625)
Adjustments arising from changes in percentage of ownership interest in subsidiaries	-	7,757	-	-	-	-	-	-	7,757	(7,757)	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	39,550	39,550
Net profit for the year ended December 31, 2013	-	-	-	-	41,439	-	-	-	41,439	(3,710)	37,729
Other comprehensive income (loss) for the year ended December 31	-	-	-	-	3,311	5,009	67,396	72,405	75,716	-	75,716
Total comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	44,750	5,009	67,396	72,405	117,155	(3,710)	113,445
BALANCE, DECEMBER 31, 2013	$ 265,000	$ 433,361	$ 84,841	$ 2,050	$ 101,210	$ 3,645	$ 82,236	$ 85,881	$ 972,343	$ 124,887	$ 1,097,230

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

DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 50,943	$ 135,393
Adjustments for:		
Depreciation expenses	46,653	42,897
Amortization expenses	3,755	1,816
Impairment loss recognized (reversal of impairment loss) on receivables	(11,456)	7,000
Net loss on fair value change of financial liabilities at fair value through profit or loss	-	1,173
Finance costs	7,550	7,906
Interest income	(9,687)	(6,287)
Loss (gain) on disposal of property, plant and equipment	(1)	17
Impairment loss recognized on non-financial assets	1,897	-
Reversal of impairment loss on non-financial assets	-	(2,256)
Changes in operating assets and liabilities		
Notes receivable	37,717	40,905
Notes receivable from related parties	1,710	(1,710)
Trade receivables	58,277	24,820
Trade receivables from related parties	2,404	439
Inventories	(4,813)	18,234
Other current assets	1,362	3,449
Other operating assets	7,016	(5,219)
Financial liabilities held for trading	-	(1,187)
Notes payable	1,021	(267)
Trade payables	(10,449)	(20,115)
Trade payables to related parties	73	-
Other payables	25,834	5,416
Other payables to related parties	1,172	111
Provisions	(5,852)	7,130
Collections in advance	27,729	(40,166)
Other current liabilities	(698)	406
Accrued pension liabilities	(356)	(354)
Cash generated from operations	231,801	219,551
Interest received	9,698	6,271
Income tax paid	(14,727)	(45,157)
Net cash generated from operating activities	226,772	180,665
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of debt investments with no active market	(120,000)	(120,000)
Proceeds from disposal of debt investments with no active market	129,800	-
Payments for property, plant and equipment	(72,070)	(2,575)
Proceeds from disposal of property, plant and equipment	329	21

(Continued)

DYNAMIC MEDICAL TECHNOLOGIES INC. AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2013	2012
Increase in refundable deposits	$ (23,846)	$ (3,330)
Payments for intangible assets	(1,033)	(1,027)
Increase in other financial assets	(9,000)	-
Increase in other non-current assets	(7,314)	(1,113)
Net cash used in investing activities	(103,134)	(128,024)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(1,525)	(74,127)
Dividends paid to owners of the Company	(112,625)	(132,500)
Additional acquisition of partially-owned subsidiaries	-	(2,500)
Interest paid	(30)	(801)
Dividends paid to non-controlling interests	-	(1,863)
Non-controlling interests subscribed for shares issued by subsidiaries	39,550	100,000
Net cash used in financing activities	(74,630)	(111,791)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	6,121	(4,699)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	55,129	(63,849)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	522,876	586,725
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 578,005	$ 522,876

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

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

1. GENERAL INFORMATION

Dynamic Medical Technologies Inc. (the "Company") was established on October 9, 2003. The Company mainly sells and leases laser medical equipment for beauty treatment and renders related workshop services, and sells the consumables of beauty treatment and cosmetic products. The address of its registered office and principal place of business is 4F, No. 872, Chungcheng Rd., Jhonghe Dist., New Taipei City, Taiwan.

The Company's shares have been listed on the Taiwan GreTai Securities Market since December 29, 2010.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 12, 2014.

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

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

(Continued)

The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC	Effective Date Announced by IASB (Note 1)
Improvements to IFRSs (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

(Concluded)

The New IFRSs Not Included in the 2013 IFRSs Version	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 "Financial Instruments"	Note 3
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	Note 3
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

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

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

Note 3: IASB tentatively decided that an entity should apply IFRS 9 for annual periods beginning on or after January 1, 2018.

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

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

1) IFRS 9 "Financial Instruments"

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of reporting period.

2) 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.

3) IFRS 13 "Fair Value Measurement"

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

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

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

5) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 consolidated financial statements shall prevail. However, the accompanying consolidated financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the FSC for their oversight purposes.

a. Statement of compliance

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

b. Basis of presentation

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

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

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

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

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.

Changes in the Group's ownership interests in existing subsidiaries

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

2) Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership December 31, 2013	% of Ownership December 31, 2012	% of Ownership January 1, 2012	Note
The Company	Dynamic Medical Technologies (Hong Kong) Ltd. ("Hong Kong Dynamic", formerly Great China Technology Development Limited)	Retail and wholesale of medical, equipment, cosmetic healthcare products, medical herbs and academic trading	100.0	100.0	100.0	-
The Company	Excelsior Beauty Co., Ltd. ("Excelsior Beauty")	Sales of aesthetic medical and cosmetic healthcare products	46.8	51.2	50.0	In May 2012, the Company acquired 250 thousand ordinary shares from non-controlling interests; as a result, the Company's ownership increased to 100%. In September 2012, the Company and Excelsior Medical Co., Ltd. each subscribed for newly issued 10,000 thousand ordinary shares; as a result, the Company's ownership decreased from 100% to 51.2%. In July 2013, Excelsior Beauty increased its capital by cash contribution of 1,925 thousand, which the Company did not subscribe; as a result, the Company's ownership decreased from 51.2% to 46.8%. The Company holds a 46.8% interest in Excelsior Beauty, the Company obtain a majority of seats in the board of directors; hence, Excelsior Beauty is deemed as a subsidiary of the Company.
Hong Kong Dynamic	Guangzhou Dynamic Inc. ("Guangzhou Dynamic")	Sales and maintenance of medical equipment	100.0	100.0	100.0	-
Hong Kong Dynamic	Excelsior Beauty Limited of Hong Kong ("Hong Kong Excelsior Beauty")	Sales of professional weight-loss and cosmetic healthcare products	100.0	100.0	100.0	-
Hong Kong Dynamic	Beijing Excelsior Beauty Limited ("Beijing Excelsior Beauty")	Sales and maintenance of medical equipment	100.0	-	-	BeiJing Dynamic was established in May 2013 by Hong Kong Dynamic, whose ownership is 100%.
Excelsior Beauty	Join Fun Co., Ltd. ("Join Fun")	Sales of cosmetic healthcare products	51.0	-	-	Join Fun was established in March 2013 by Excelsior Beauty, whose ownership is 51%.

e. Foreign currencies

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

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

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

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

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

f. Inventories

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

g. Property, plant and equipment

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

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

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

h. Intangible assets

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

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

i. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets, 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Company assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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.

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

j. Financial instruments

Financial assets and financial liabilities are recognized when the Group 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 the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Available-for-sale financial assets, and loans and receivables.

i. 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 Group's right to receive the dividends is established.

ii. Loans and receivables

Loans and receivables (including cash and cash equivalent, debt investments with no active market, refundable deposits, notes receivable, trade receivables, lease payments receivable, long-term notes receivables, long-term trade receivables, and long-term lease payments receivable) are measured at amortized cost using the effective interest method, less any impairment, except for short-term and trade receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

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

Financial assets carried at amortized cost, such as notes receivable, trade receivables, lease payments receivable, long-term notes receivable, long-term trade receivables and long-term lease payments receivable are assessed for impairment on a collective basis even if they were assessed as not impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience in the collection of payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situations.

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.

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

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

The carrying amount of a financial asset is reduced by impairment loss directly for all financial assets with the exception of notes receivable, trade receivables, lease payments receivables, long-term notes receivable, long-term trade receivables and long-term lease payments receivables where the carrying amount is reduced through the use of an allowance account. When notes receivable, trade receivables, lease payments receivables, long-term notes receivable, long-term trade receivables and long-term lease payments receivables are considered uncollectible, they are 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. Bad debts are written off against the allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

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

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method except for following:

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities are classified as at fair value through profit or loss when they are held for trading.

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.

b) 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.

4) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

5) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to price volatility risk of raw materials and futures contracts.

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.

k. Provision

Provision is measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

l. Revenue recognition

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

1) Sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

2) Rendering of services

Service income is recognized when the service is provided.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

3) Dividend and interest income

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

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

m. 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.

The Group as lessor

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

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Group as lessor

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

n. Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income.

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

o. 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 Group's 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 and unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current tax and deferred tax for the year

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of receivables

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

b. Fair value of financial instruments

The Group's management uses its judgment in selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. The estimation of fair value of listed equity instruments traded in emerging market was based on the analysis in relation to the financial position and the operation results of investees, recent transaction prices, prices of same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, valuation multiples of comparable entities. As of December 31, 2012 and January 1, 2012, the carrying amount of these equity instruments was $67,700 thousand and $49,487 thousand, respectively. The Group's management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

c. Impairment of property, plant and equipment

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

d. Write-down of inventory

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

e. The provision for warranties

The provision for warranties was based on contracts, historical experience and other known reasons estimated obligations may occur in the year. The provision was recognized at the date of sale of the relevant products. The Group regularly reviews the reasonableness of estimates.

f. Income taxes

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.

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 564	$ 1,858	$ 1,432
Checking accounts and demand deposits	497,441	360,918	265,293
Cash equivalent			
Time deposits with original maturity less than three months	80,000	160,100	320,000
	$ 578,005	$ 522,876	$ 586,725

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Bank balance	0.17%-0.94%	0.17%-1.13%	0.17%-0.94%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets at FVTPL - current			
Financial assets held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	$ -	$ -	$ 14

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
January 1, 2012			
Buy	USD/NTD	March 2012 to April 2012	USD1,708/NTD51,649

The Group entered into forward exchange contracts during the year ended December 31, 2012 mainly to manage exposures to the fluctuations of foreign exchange rates. The forward exchange contracts entered into by the Group did not meet the criteria for hedge accounting. Therefore, the Group did not apply hedge accounting treatment to forward exchange contracts.

The Group did not enter into forward exchange contracts during the year ended December 31, 2013.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Non-current			
Listed shares and emerging shares	$ 135,096	$ 67,700	$ 49,487

On January 1, 2012 (the date of translation to IFRSs), the Group designated emerging shares in the amount of $52,860 thousand as available-for-sale financial assets (refer to Note 33).

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Time deposits with original maturity more than 3 months	$ 110,200	$ 120,000	$ -

The market interest rates of the time deposits with original maturity of more than 3 months were 1.04%-1.13% and 1%-1.13% per annum as of December 31, 2013 and 2012, respectively.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable			
Current			
Notes receivable - operating	$ 120,758	$ 159,326	$ 200,213
Less: Allowance for impairment loss	(413)	(992)	(5,121)
Less: Unrealized interest income	(234)	(1,085)	(1,067)
	$ 120,111	$ 157,249	$ 194,025
Non-current			
Notes receivable - operating	$ 6,929	$ 13,405	$ 20,549
Less: Unrealized interest income	(2)	(198)	(456)
	$ 6,927	$ 13,207	$ 20,093
Trade receivables			
Current			
Trade receivables	$ 106,367	$ 169,362	$ 194,446
Less: Allowance for impairment loss	(7,857)	(19,431)	(8,610)
Less: Unrealized interest income	(650)	(701)	(657)
	$ 97,860	$ 149,230	$ 185,179
Non-current			
Trade receivables	$ 6,514	$ 12,967	$ 10,890
Less: Unrealized interest income	(171)	(647)	(795)
	$ 6,343	$ 12,320	$ 10,095

The average credit period on sales of goods was 90-180 days. Allowance for impairment loss were recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable.

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

	December 31, 2013	December 31, 2012	January 1, 2012
1-90 days	$ 16,317	$ 16,076	$ 19,980
91-180 days	3,303	22,349	7,290
181-365 days	199	323	433
	$ 19,819	$ 38,748	$ 27,703

The above aging schedule was based on the past due date.

Movements in the allowance for impairment loss recognized on notes receivable and trade receivables were as follows:

	For the Year Ended December 31	
	2013	2012
Balance at January 1	$ 20,423	$ 13,731
Add: Impairment losses recognized on receivables	-	7,000
Less: Amounts written off as uncollectible	(496)	(308)
Less: Impairment losses reversed	(11,672)	-
Effect of exchange rate changes	15	-
Balance at December 31	$ 8,270	$ 20,423

At the end of the reporting period, trade receivables from sales on installments by the Group were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Gross amount of receivables	$ 23,901	$ 31,544	$ 21,316
Unrealized interests revenue	(884)	(1,785)	(1,723)
	$ 23,017	$ 29,759	$ 19,593
Non-current			
Gross amount of receivables	$ 8,074	$ 25,140	$ 29,761
Unrealized interests revenue	(174)	(845)	(1,252)
	$ 7,900	$ 24,295	$ 28,509

The amounts of the above trade receivables expected to be recovered during 2014, 2015 and 2016 were $23,017 thousand, $7,102 thousand and $798 thousand, respectively.

Factored trade receivables for the years ended December 31, 2013 and 2012 were as follows:

Counter-parties	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates on Advances Received (%)	Credit Line
2013					
Hotai Finance Co., Ltd.	$ 22,046	$ 1,055	$ -	6.00%-7.75%	$ 200,000

The above credit lines may be used on a revolving basis.

Pursuant to the Group's factoring agreements, losses from commercial disputes (such as sales returns and discounts) were borne by the Group, while losses from credit risk were borne by the banks.

11. FINANCE LEASE RECEIVABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Gross investment in leases			
Not later than one year	$ 15,718	$ 9,058	$ -
Later than one year and not later than five years	21,507	9,359	-
	37,225	18,417	-
Less: Unearned finance income	(4,992)	(1,195)	-
Present value of minimum lease payments	$ 32,233	$ 17,222	$ -
Finance lease receivables			
Not later than one year	$ 12,520	$ 8,349	$
Later than one year and not later than five years	19,713	8,873	-
Finance lease receivables	$ 32,233	$ 17,222	$ -

The Group entered into finance lease arrangements for certain storage equipment. All leases were denominated in New Taiwan dollars. The average term of finance leases entered into was 2-5 years.

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The interest rate inherent in the finance lease was approximately 9.67% and 5.46% per annum as of December 31, 2013 and 2012, respectively.

The finance lease receivables as of December 31, 2013 and 2012 were neither past due nor impaired.

12. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Medical equipment	$ 154,629	$ 172,577	$ 134,733
Medical material and parts	166,074	151,886	257,615
Others	15,539	26,958	5,656
	$ 336,242	$ 351,421	$ 398,004

The cost of inventories recognized as cost of goods sold included inventory write-downs of $9,244 thousand and $1,197 thousand for the years ended December 31, 2013 and 2012, respectively.

13. PROPERTY, PLANT AND EQUIPMENT

	Medical Equipment	Office Equipment	Leasehold Improvements	Exhibition Equipment	Lease Equipment	Other Equipment	Property in Construction and Equipment to Be Inspected	Total
Cost								
Balance at January 1, 2012	$ -	$ 18,149	$ 12,503	$ 95,340	$ 113,877	$ 1,806	$ -	$ 241,675
Additions	-	1,653	922	-	-	-	-	2,575
Disposals	-	(2,870)	-	-	-	-	-	(2,870)
Transferred into inventories	-	-	-	(20,942)	(47,324)	(24,594)	-	(92,860)
Transferred from inventories	5,106	(2,935)	-	25,313	40,555	24,594	-	92,633
Effect of foreign currency exchange differences	-	(227)	(214)	(187)	(91)	-	-	(719)
Balance at December 31, 2012	$ 5,106	$ 13,770	$ 13,211	$ 99,524	$ 107,017	$ 1,806	$ -	$ 240,434
Accumulated depreciation and impairment								
Balance at January 1, 2012	$ -	$ 5,441	$ 5,076	$ 55,702	$ 54,552	$ 875	$ -	$ 121,646
Depreciation expense	1,702	4,282	3,436	18,916	12,854	1,707	-	42,897
Disposals	-	(2,832)	-	-	-	-	-	(2,832)
Transferred into inventories	-	-	-	(12,412)	(14,672)	(1,406)	-	(28,490)
Reversal of impairment loss recognized in profit or loss	-	-	-	-	(2,256)	-	-	(2,256)
Effect of foreign currency exchange differences	-	(69)	(103)	(185)	(90)	-	-	(447)
Balance at December 31, 2012	$ 1,702	$ 6,822	$ 8,409	$ 62,021	$ 50,388	$ 1,176	$ -	$ 130,518
Balance at January 1, 2012, net	$ -	$ 12,708	$ 7,427	$ 39,638	$ 59,325	$ 931	$ -	$ 120,029
Balance at December 31, 2012, net	$ 3,404	$ 6,948	$ 4,802	$ 37,503	$ 56,629	$ 630	$ -	$ 109,916
Cost								
Balance at January 1, 2013	$ 5,106	$ 13,770	$ 13,211	$ 99,524	$ 107,017	$ 1,806	$ -	$ 240,434
Additions	19,651	2,212	17,386	8,438	16,522	70	7,791	72,070
Disposals	-	(1,830)	(121)	-	(739)	(831)	-	(3,521)
Transferred into inventories	-	(47)	-	(28,628)	(33,498)	-	-	(62,173)
Transferred from inventories	-	-	-	23,288	29,160	-	-	52,448
Effect of foreign currency exchange differences	146	162	205	618	113	-	-	1,244
Balance at December 31, 2013	$ 24,903	$ 14,267	$ 30,681	$ 103,240	$ 118,575	$ 1,045	$ 7,791	$ 300,502
Accumulated depreciation and impairment								
Balance at January 1, 2013	$ 1,702	$ 6,822	$ 8,409	$ 62,021	$ 50,388	$ 1,176	$ -	$ 130,518
Depreciation expense	5,453	3,283	4,841	17,804	15,102	170	-	46,653
Disposals	-	(1,810)	(121)	-	(431)	(831)	-	(3,193)
Transferred into inventories	-	-	-	(22,294)	(7,423)	-	-	(29,717)

(Continued)

	Medical Equipment	Office Equipment	Leasehold Improve-ments	Exhibition Equipment	Lease Equipment	Other Equipment	Property in Construction and Equipment to Be Inspected	Total
Impairment losses recognized in profit or loss	$ -	$ -	$ -	$ -	$ 1,897	$ -	$ -	$ 1,897
Effect of foreign currency exchange differences	102	133	139	239	75	-	-	688
Balance at December 31, 2013	$ 7,257	$ 8,428	$ 13,268	$ 57,770	$ 59,608	$ 515	$ -	$ 146,846
Balance at January 1, 2013, net	$ 3,404	$ 6,948	$ 4,802	$ 37,503	$ 56,629	$ 630	$ -	$ 109,916
Balance at December 31, 2013, net	$ 17,646	$ 5,839	$ 17,413	$ 45,470	$ 58,967	$ 530	$ 7,791	$ 153,656

(Concluded)

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

Medical equipment	2-7 years
Office equipment	2-5 years
Leasehold improvements	2-5 years
Exhibition equipment	3 years
Lease equipment	3-7 years
Other equipment	5-7 years

14. OTHER ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Prepayments	$ 14,130	$ 11,575	$ 30,089
Temporary payments	1,757	1,510	1,242
Others	2,229	6,644	180
	$ 18,116	$ 19,729	$ 31,511
Non-current			
Long-term prepayments	$ 5,726	$ 2,060	$ 2,588

15. SHORT-TERM LOANS, SHORT-TERM BILLS PAYABLE AND LONG-TERM DEBT

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured borrowings			
Usance L/C (USD)	$ -	$ 1,525	$ 75,652

As of December 31, 2012 and January 1, 2012, the weighted average effective interest rate of the bank borrowings unsecured was 1.685% per annum and 1.11%-2.05% per annum, respectively.

16. CONVERTIBLE BONDS

	December 31, 2013	December 31, 2012	January 1, 2012
The first domestic secured convertible bonds			
Convertible bonds issued at face value	$ 320,000	$ 320,000	$ 320,000
Less: Unamortized discount	(4,698)	(12,218)	(19,578)
	315,302	307,782	300,422
Less: Current portion	(315,302)	-	-
	$ -	$ 307,782	$ 300,422

On August 12, 2011, the Company issued the first domestic secured convertible bonds of $320,000 thousand at face value, with a face interest rate of 0% and a maturity date of August 12, 2014. The bonds are guaranteed by Mega International Commercial Bank. The bonds may be converted into ordinary shares of the Company at any time from the day one month after issuance to the day ten days before maturity. The initial conversion price was $145.2 New Taiwan dollars per share, which is subject to adjustment according to an agreed formula (since August 23, 2013, the conversion price was adjusted to $130.9 New Taiwan dollars per share). From the day one month after issuance to the day forty days before maturity, the Company may redeem all of the bonds at face value, provided that the average closing price exceeds the then conversion price by 30% or more for 30 consecutive trade days or the total amount of the outstanding bonds is less than 10% of the total amount of the bonds initial issue. Other than in the case of conversion or redemption mentioned above, the Company shall redeem the bonds by cash on their maturity. As of December 31, 2013, no bondholder had exercised rights to convert bonds.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 2.42% per annum on initial recognition.

Proceeds from issue (less transaction costs $3,800 thousand)	$ 316,200
Equity component (less transaction costs allocated to the equity component of $231 thousand and related tax effected of $39 thousand)	(19,232)
Deferred tax assets	646
Liability component at the date of issue (less transaction costs allocated to the liability component of $3,569 thousand and related tax effected of $607 thousand)	297,614
Interest charged at an effective interest rate of 2.42%	2,808
Liability component at January 1, 2012	300,422
Interest charged at an effective interest rate of 2.42%	7,360
Liability component at December 31, 2012	307,782
Interest charged at an effective interest rate of 2.42%	7,520
Liability component at December 31, 2013	$ 315,302

17. NOTES PAYABLE AND TRADE PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Notes payable			
Notes receivable - operating	$ 1,021	$ -	$ 267
Trade payables			
Trade payables	$ 36,156	$ 46,517	$ 66,632

The average credit period of purchases of certain goods was three months. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

18. OTHER LIABILITIES

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Other payables			
Salaries or bonus	$ 67,151	$ 60,643	$ 55,305
Payable for annual leave	2,381	2,425	2,433
Remuneration to directors and supervisors	5,695	4,979	6,969
Bonus to employees	3,750	5,975	2,825
Others	41,257	20,369	21,698
	$ 120,234	$ 94,391	$ 89,230
Other liabilities			
Receipts under custody	$ 604	$ 1,343	$ 872
Temporary receipts	164	122	187
	$ 768	$ 1,465	$ 1,059

19. PROVISION

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Warranties (a)	$ 7,575	$ 13,071	$ 4,872
Sales discounts (b)	50	-	-
	$ 7,625	$ 13,071	$ 4,872
Non-current			
Warranties (a)	$ 11,855	$ 12,261	$ 13,330

	Sales Discounts	Warranties	Total
Balance at January 1, 2012	$ -	$ 18,202	$ 18,202
Additional provisions recognized	-	26,654	26,654
Reversing un-usage balances	-	(19,479)	(19,479)
Effect of foreign currency exchange differences	-	(45)	(45)
Balance at December 31, 2012	-	25,332	25,332
Additional provisions recognized	50	20,975	21,025
Reversing un-usage balances	-	(26,993)	(26,993)
Effect of foreign currency exchange differences	-	116	116
Balance at December 31, 2013	$ 50	$ 19,430	$ 19,480

a. The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local sale of goods legislation. The estimate had been made on the basis of historical warranty trends and may vary as a result of other events affecting product quality.

b. The provision of sales returns and discounts was based on historical experience, management's judgments and other known reasons estimated product discounts may occur in the year. The provision was recognized as a reduction of operating income in the periods of the related goods sold.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts at specific rate of salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

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

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Discount rate(s)	2.00%	1.50%	1.75%
Expected return on plan assets	2.00%	1.20%	1.20%
Expected rate(s) of salary increase	3.75%	3.00%	3.00%

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

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

	For the Year Ended December 31	
	2013	2012
Interest cost	$ 100	$ 132
Expected return on plan assets	(33)	(38)
	$ 67	$ 94
An analysis by function		
Marketing expenses	$ 48	$ 68
Administration expenses	19	26
	$ 67	$ 94

Actuarial losses recognized in other comprehensive income or loss for the years ended December 31, 2013 and 2012 were $3,989 thousand and $107 thousand, respectively. The cumulative amount of actuarial losses recognized in other comprehensive income or loss as of December 31, 2013 and 2012 was $4,096 thousand and $107 thousand, respectively.

The amounts included in the Group's balance sheet in respect of its obligations for defined benefit plans were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded defined benefit obligation	$ 3,233	$ 7,539	$ 7,522
Fair value of plan assets	(3,449)	(3,410)	(2,932)
Accrued pension liabilities (prepayments for pension cost)	$ (216)	$ 4,129	$ 4,590

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

	For the Year Ended December 31	
	2013	2012
Opening defined benefit obligation	$ 7,539	$ 7,522
Interest cost	100	132
Actuarial gains	(3,978)	(115)
Benefits paid	(428)	-
Closing defined benefit obligation	$ 3,233	$ 7,539

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

	For the Year Ended December 31	
	2013	2012
Opening fair value of plan assets	$ 3,410	$ 2,932
Expected return on plan assets	33	38
Actuarial gains (losses)	11	(8)
Contributions from the employer	423	448
Benefits paid	(428)	-
Closing fair value of plan assets	$ 3,449	$ 3,410

The major categories of plan assets at the end of the reporting period for each category were disclosed based on the information announced by Labor Pension Fund Supervisory Committee:

	December 31, 2013	December 31, 2012	January 1, 2012
Bank deposits	23%	25%	24%
Equity instruments	45%	37%	41%
Debt instruments	31%	37%	35%
Others	1%	1%	-
	100%	100%	100%

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

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 3,233	$ 7,539	$ 7,522
Fair value of plan assets	$ 3,449	$ 3,410	$ 2,932
Deficit	$ (216)	$ 4,129	$ 4,590
Experience adjustments on plan liabilities	$ (3,978)	$ (115)	$ -
Experience adjustments on plan assets	$ 11	$ (8)	$ -

The Company and domestic subsidiaries of the group expects to make a contribution of $390 thousand and $225 thousand, respectively to the defined benefit plans during the annual period beginning after 2013 and 2012.

21. EQUITY

Share Capital - Ordinary Shares

	December 31, 2013	December 31, 2012	January 1, 2012
Numbers of shares authorized (in thousands)	50,000	50,000	50,000
Shares authorized	$ 500,000	$ 500,000	$ 500,000
Number of shares issued and fully paid (in thousands)	26,500	26,500	26,500
Shares issued	$ 265,000	$ 265,000	$ 265,000

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

Capital Surplus

	December 31, 2013	December 31, 2012	January 1, 2012
Share premium	$ 405,652	$ 405,652	$ 405,652
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during disposal or acquisition	8,477	720	-
Share warrants	19,232	19,232	19,232
	$ 433,361	$ 425,604	$ 424,884

	Share Premium	The Difference Between Consideration Received or Paid and the Carrying Amount of the Subsidiaries' Net Assets during Disposal or Acquisition	Share Warrants	Total
Balance at January 1, 2012	$ 405,652	$ -	$ 19,232	$ 424,884
Adjustments arising from changes in percentage of ownership interest in subsidiaries	-	720	-	720
Balance at December 31, 2012	405,652	720	19,232	425,604
Adjustments arising from changes in percentage of ownership interest in subsidiaries	-	7,757	-	7,757
Balance at December 31, 2013	$ 405,652	$ 8,477	$ 19,232	$ 433,361

The capital surplus arising from shares issued in excess of par (including share premium from issuance of ordinary shares and the difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during disposal or acquisition) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

The capital surplus from share warrants may not be used for any purpose.

Retained Earnings and Dividend Policy

The Company's Articles of Incorporation, provide that the following shall be appropriated from the annual net income (less any deficit):

a. 10% thereof as legal reserve;

b. Special reserve provided in accordance with directives issued by the SFB or other authorities;

c. A portion retained for operation needs;

d. A remuneration to directors and supervisors of not more than 5% and a bonus to employees of not less than 1% of the remainder; and

e. Dividends proposed by the board of directors and resolved by the shareholders out of the sum of the remainder and prior years' unappropriated earnings.

The Company's Articles of Incorporation also prescribe that dividends shall not be distributed in such a manner as to negatively affect the Company's financial structure and that 20% to 100% of the dividends shall be paid in cash; however, if the Company has major capital expenditure plans in the future, 100% of the dividends may be distributed in stock, if resolved by the shareholders.

For the years ended December 31, 2013 and 2012, the bonus to employees was $2,238 thousand and $5,975 thousand, respectively, and the remuneration to directors and supervisors was $1,865 thousand and $4,979 thousand, respectively. The bonus to employees represented 6% and 2% of the net income for the years ended December 31, 2013 and 2012 minus the legal reserve to be appropriated. The remuneration to directors and supervisors represented 5% for both of the net income for the years ended December 31, 2013 and 2012, respectively, minus the legal reserve to be appropriated. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration are recognized. If there is a change in the proposed amounts after the consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the fair value of the shares. For the calculation of the number of shares, the fair value of the shares refer to the closing price (after considering the effect of cash and stock dividends) of the shares on the day immediately preceding the shareholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain shareholders' equity accounts shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

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

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

The appropriations of earnings for 2012 and 2011 had been approved in the Company's shareholders' meetings on June 11, 2013 and June 15, 2012, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2012	**2011**	**2012**	**2011**
Legal reserve	$ 11,292	$ 15,487		
Special reserve	2,050	-		
Cash dividends	112,625	132,500	$4.25	$5.00

Bonus to employees and the remuneration to directors and supervisors for 2012 and 2011 approved in the shareholders' meetings on June 11, 2013 and June 15, 2012, respectively, were as follows:

	For the Year Ended December 31	
	2012	**2011**
Bonuses to employees - cash	$ 5,975	$ 2,788
Remuneration to directors and supervisors	4,979	6,969

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

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings in 2013 and 2012 and the amounts recognized in the financial statements for the years ended December 31, 2012 and 2011.

The appropriations of earnings for 2013 had been proposed by the Company's board of directors on March 12, 2014. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 4,144	
Cash dividends	39,750	$1.5

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2013 are subject to the resolution of the shareholders' meeting to be held on June 18, 2014.

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

Other Equity Items

a. Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2013	**2012**
Balance at January 1	$ (1,364)	$ 2,830
Exchange differences arising on translating the foreign operations	6,035	(5,051)
Income tax relating to gain (loss) arising on translating the net assets of foreign operations	(1,026)	857
Balance at December 31	$ 3,645	$ (1,364)

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

	For the Year Ended December 31	
	2013	2012
Balance at January 1	$ 14,840	$ (3,373)
Unrealized gain arising on revaluation of available-for-sale financial assets	67,396	18,213
Balance at December 31	$ 82,236	$ 14,840

Non-controlling Interests

	For the Year Ended December 31	
	2013	2012
Balance at January 1	$ 96,804	$ 4,932
Attributable to non-controlling interests:		
Share of loss for the year	(3,710)	(3,601)
Adjustments arising from changes in percentage of ownership interest in subsidiaries	(7,757)	(720)
Acquisition of non-controlling interests in subsidiaries	-	(1,944)
Cash dividends of subsidiaries distributed to non-controlling interests	-	(1,863)
Non-controlling interests subscribed for shares issued by subsidiaries	39,550	100,000
Balance at December 31	$ 124,887	$ 96,804

22. NET PROFIT

The following items were included in net profit:

a. Other income

	For the Year Ended December 31	
	2013	2012
Interest income		
Bank deposits	$ 3,067	$ 2,797
Receivables	6,620	3,490
	9,687	6,287
Rental income	775	-
	$ 10,462	$ 6,287

b. Other gains and losses

	For the Year Ended December 31	
	2013	2012
Gain (loss) on disposal of property, plant and equipment	$ 1	$ (17)
Net foreign exchange gains	1,652	210
Net loss arising on financial liabilities at fair value through profit or loss	-	(1,173)
Others	3,207	870
	$ 4,860	$ (110)

c. Finance costs

	For the Year Ended December 31	
	2013	2012
Interest on bank loans	$ 30	$ 546
Interest on convertible bonds	7,520	7,360
	$ 7,550	$ 7,906

d. Impairment (reversal of) losses on financial assets

	For the Year Ended December 31	
	2013	2012
Notes receivable	$ (579)	$ (4,129)
Trade receivables	(11,093)	11,129
Other receivables	216	-
	$ (11,456)	$ 7,000

e. Depreciation and amortization

	For the Year Ended December 31	
	2013	2012
Property, plant and equipment	$ 46,653	$ 42,897
Others	3,755	1,816
	$ 50,408	$ 44,713
An analysis of depreciation by function		
Operating costs	$ 22,629	$ 15,157
Operating expenses	24,024	27,740
	$ 46,653	$ 42,897
An analysis of amortization by function		
Operating costs	$ 732	$ 360
Operating expenses	3,023	1,456
	$ 3,755	$ 1,816

f. Employee benefit expense

	For the Year Ended December 31	
	2013	2012
Post-employment benefits (Note 20)		
Defined contribution plans	$ 6,214	$ 5,775
Defined benefit plans	67	94
	6,281	5,869
Termination benefits	2,419	216
Other employee benefits	159,499	186,981
Total employee benefit expense	$ 168,199	$ 193,066

(Continued)

	For the Year Ended December 31	
	2013	2012
An analysis of employee benefit expense by function		
Operating costs	$ 37,449	$ 32,769
Operating expenses	130,750	160,297
	$ 168,199	$ 193,066

(Concluded)

g. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2013	2012
Foreign exchange gains	$ 2,492	$ 4,482
Foreign exchange losses	(840)	(4,272)
	$ 1,652	$ 210

h. Impairment losses (reversal of impairment losses) on non-financial assets

	For the Year Ended December 31	
	2013	2012
Inventories (included in cost of goods sold)	$ 9,244	$ 1,197
Properties for lease (included in other operating cost)	$ 1,897	$ (2,256)

23. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2013	2012
Current tax		
In respect of the current year	$ 8,657	$ 28,484
Tax at 10% of unappropriated earnings	-	1,191
In respect of prior years	2,380	97
	11,037	29,772
Deferred tax		
In respect of the current year	2,177	(4,391)
Income tax expense recognized in profit or loss	$ 13,214	$ 25,381

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

	For the Year Ended December 31	
	2013	2012
Profit before tax	$ 50,943	$ 135,393

(Continued)

	For the Year Ended December 31	
	2013	2012
Income tax expense calculated at the statutory rate	$ 8,836	$ 16,991
Nondeductible expenses in determining taxable income	72	2,713
Unrecognized temporary differences	9	-
Unrecognized loss carryforwards	1,918	4,389
Income tax on unappropriated earnings	-	1,191
Adjustments for prior years' tax	2,379	97
Income tax expense recognized in profit or loss	$ 13,214	$ 25,381

(Concluded)

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

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2013	2012
Deferred tax		
In respect of the current year		
Translation of foreign operations	$ 1,026	$ (857)
Actuarial gain arising from defined benefit plans	678	18
Total income tax expense (benefit) recognized in other comprehensive income	$ 1,704	$ (839)

c. Current tax assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Current tax assets			
Tax refund receivable	$ 1,462	$ -	$ -
Current tax liabilities			
Income tax payable	$ 5,759	$ 9,450	$ 24,835

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2013

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Exchange difference on foreign operations	$ 279	$ -	$ (279)	$ -
Allowance for impaired receivables	2,867	(1,979)	-	888
Inventory write-downs	2,648	(469)	-	2,179
Provision for warranties	4,013	(1,324)	-	2,689
Payable for bonus	5,705	2,709	-	8,414
Unrealized gain on sales	234	1,070	-	1,304
Impairment loss on properties for lease	3,432	323	-	3,755
Recognition of foreign investment loss using equity method	6,624	(153)	-	6,471
Difference in depreciation property, plant and equipment	6,059	(1,676)	-	4,383
Defined benefit obligation	696	(52)	(644)	-
Others	1,182	(579)	-	603
	$ 33,739	$ (2,130)	$ (923)	$ 30,686

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Exchange difference on foreign operations	$ -	$ -	$ 747	$ 747
Defined benefit obligation	-	9	34	43
Others	-	38	-	38
	$ -	$ 41	$ 781	$ 828

For the year ended December 31, 2012

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Exchange difference on foreign operations	$ -	$ -	$ 279	$ 279
Allowance for impaired receivables	1,644	1,223	-	2,867
Inventory write-downs	2,480	168	-	2,648
Provision for warranties	2,884	1,129	-	4,013
Payable for bonus	3,428	2,277	-	5,705
Unrealized gain on sales	237	(3)	-	234
Impairment loss on properties for lease	3,816	(384)	-	3,432
Recognition of foreign investment loss using equity method	4,256	2,368	-	6,624
Difference in depreciation property, plant and equipment	6,828	(769)	-	6,059
Defined benefit obligation	780	(66)	(18)	696
Others	2,734	(1,552)	-	1,182
	$ 29,087	$ 4,391	$ 261	$ 33,739

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Exchange difference on foreign operations	$ 578	$ -	$ (578)	$ -

e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31, 2013	December 31, 2012	January 1, 2012
Loss carryforwards			
Expire in 2016	$ 13,579	$ 15,249	$ 15,249
Expire in 2017	7,688	7,688	-
Expire in 2018	2,352	-	-
Expire in 2022	7,656	7,656	-
Expire in 2023	7,229	-	-
No expiration date	16,232	13,090	6,026
	$ 54,736	$ 43,683	$ 21,275
Deductible temporary differences	$ 50	$ -	$ -

f. Integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings			
Unappropriated earnings generated on and after January 1, 1998	$ 101,210	$ 182,427	$ 212,243
Imputation credits accounts	$ 48,041	$ 64,824	$ 72,340

The creditable ratio for distribution of earnings of 2013 and 2012 was 36.82% (expected ratio) and 30.85%, respectively.

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

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

g. Income tax assessments

The Company and Excelsior Beauty's income tax returns through 2011 have been examined by the tax authority.

24. EARNINGS PER SHARE

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

Net Profit for the Year

	For the Year Ended December 31	
	2013	2012
Earnings used in computation of basic earnings per share	$ 41,439	$ 113,613
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	-	7,360
Earnings used in the computation of diluted earnings per share	$ 41,439	$ 120,973

Weighted Average Number of Ordinary Shares Outstanding

(In Thousand Shares)

	For the Year Ended December 31	
	2013	**2012**
Weighted average number of ordinary shares in computation of basic earnings per share	26,500	26,500
Effect to potentially dilutive ordinary shares:		
Convertible bonds	-	2,302
Bonus to employees	69	68
Weighted average number of ordinary shares in computation of dilutive earnings per share	26,569	28,870

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

If the outstanding convertible bonds issued by the Company were converted to ordinary shares during the year ended December 31, 2013, they were anti-dilutive and excluded from the computation of diluted earnings per share.

25. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of building with lease terms between 1 and 6 years.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31, 2013	December 31, 2012	January 31, 2012
Not later than 1 year	$ 33,056	$ 22,335	$ 19,196
Later than 1 year and not later than 5 years	43,912	40,512	3,145
Later than 5 years	10,494	2,523	-
	$ 87,462	$ 65,370	$ 22,341

The lease payments recognized in profit or loss for the current period were as follows:

	For the Year Ended December 31	
	2013	**2012**
Minimum lease payment	$ 19,357	$ 19,172

b. The Group as lessor

Operating leases relate to the lease assets owned by the Group with lease terms between 1 to 3 years. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

The future minimum lease payments of non-cancellable operating lease were as follows:

	December 31, 2013	December 31, 2012	January 31, 2012
Not later than 1 year	$ 17,923	$ 22,571	$ 11,801
Later than 1 year and not later than 5 years	90	5,561	6,597
	$ 18,013	$ 28,132	$ 18,398

26. CAPITAL MANAGEMENT

Key management personnel of the Group regularly review the capital structure. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure and ensure that financial resources are available for working capital and capital expenditures, the Group may adjust the amount of dividends paid to shareholders, and the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

Except as detailed in the following table, management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities						
Financial liabilities measured at amortized cost						
Convertible bonds	$ 315,302	$ 316,074	$ 307,782	$ 310,128	$ 300,422	$ 303,277

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

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

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

December 31, 2013

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed securities				
Equity securities	$ 135,096	$ -	$ -	$ 135,096

December 31, 2012

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed securities				
Equity securities	$ -	$ -	$ 67,700	$ 67,700

January 1, 2012

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic emerging securities				
Equity securities	$ -	$ -	$ 49,487	$ 49,487
Financial liabilities at FVTPL				
Derivative financial assets	$ -	$ 14	$ -	$ 14

There were no transfers between Levels 1 and 2 for the years ended December 31, 2013 and 2012.

3) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2013

	Available-for-sale Financial Assets
	Equity Instruments
Financial assets	
Balance at January 1, 2013	$ 67,700
Total gains or losses	
In other comprehensive income	36,946
Transfers out of Level 3	(104,646)
Balance at December 31, 2013	$ -

For the year ended December 31, 2012

	Available-for-sale Financial Assets
	Equity Instruments
Financial assets	
Balance at January 1, 2013	$ 49,487
Total gains or losses	
In other comprehensive income	18,213
Balance at December 31, 2013	$ 67,700

All gains and losses included in other comprehensive income relate to unlisted shares held at the end of the reporting period and were reported as changes in unrealized gain or loss on available-for-sale financial assets.

4) 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;

b) The estimation of fair value of listed equity instruments traded in emerging market is based on the analysis in relation to the financial position and the operation results of investees, recent transaction prices, prices of same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, valuation multiples of comparable entities.

c) Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts; and

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

b. Categories of financial instruments

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets			
Loans and receivables (1)	$ 1,011,112	$ 1,037,316	$ 1,035,721
Available-for-sale financial assets	135,096	67,700	49,487
Financial liabilities			
Fair value through profit or loss (FVTPL)			
Held for trading	-	-	14
Amortized cost (2)	352,552	355,824	442,973

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade receivables, lease payments receivable, refundable deposits, long-term notes receivable, long-term trade receivables and long-term lease payments receivable.

2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, trade payables, bonds payable and other financial liabilities.

c. Financial risk management objectives and policies

The Group's major financial instruments included cash and cash equivalents, debt investments with no active market, available-for-sale financial assets, notes receivable, trade receivables, short-term borrowings, trade payables and bonds payable. The Group's Finance division provides services to the business, monitors and manages the financial risks relating to the operations of the Group through the analysis of exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Group had foreign currency purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Group was mainly exposed to the currency USD and currency HKD.

The following table details the Group's sensitivity to a 1% increase in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period under the assumption of a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit when New Taiwan dollars weakened by 1% against the relevant currency. For a 1% strengthening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	USD Impact For the Year Ended December 31		HKD Impact For the Year Ended December 31	
	2013	**2012**	**2013**	**2012**
Profit or loss	$ (98) (i)	$100 (i)	$183 (ii)	$218 (ii)

i) This was mainly attributable to the exposure on outstanding USD bank deposits and trade payables, which were not hedged at the end of the reporting period.

ii) This was mainly attributable to the exposure on outstanding HKD bank deposits, which were not hedged at the end of the reporting period.

The Group's sensitivity to foreign currency decreased during the current period mainly due to the decrease in USD bank deposits.

b) Interest rate risk

The Group was exposed to interest rate risk because the Group held bank deposits and debt instruments with no active market at both fixed and floating interest rates, and borrowed funds at fixed interest rates. The Group pays attention to changes in market interest rates in order to make plans to manage interest rate risk.

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

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Fair value interest rate risk			
Financial assets	$ 197,720	$ 278,118	$ 204,284
Financial liabilities	315,302	309,307	376,074
Cash flow interest rate risk			
Financial assets	70,000	80,000	170,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of the asset outstanding at the end of the reporting period was outstanding for the whole year. A sensitivity rate of 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2013 and 2012 would increase/decrease by $700 thousand and $800 thousand, respectively.

The Group's sensitivity to interest rates decreased during the current period mainly due to the decrease in variable rate time deposits.

c) Other price risk

The Group was exposed to price risk through its investments in listed equity securities. The Group has appointed a special team to monitor and evaluate the price risk.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity price of the aforementioned investments had been 1% higher/lower, the Group's pre-tax other comprehensive income for the years ended December 31, 2013 and 2012 would increase/decrease by $1,351 thousand and $677 thousand, respectively; the sensitivity was mainly due to the changes in the fair value of available-for-sale financial assets.

The Group's sensitivity to equity prices increased during the current period mainly due to the increase in fair value of available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the condensed balance sheets.

In order to minimize credit risk, the Group 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 debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group'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.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Group had available unutilized short-term bank loan facilities of $518,089 thousand, $551,979 thousand and $375,077 thousand, respectively.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2013

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1-2 Years	2+ Years
Non-derivative financial liabilities							
Non-interest bearing		$ 22,420	$ 11,867	$ 1,767	$ 1,123	$ -	$ -
Fixed interest rate liabilities	2.42	-	-	-	320,000	-	-
		$ 22,420	$ 11,867	$ 1,767	$ 321,123	$ -	$ -

December 31, 2012

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1-2 Years	2+ Years
Non-derivative financial liabilities							
Non-interest bearing		$ 29,085	$ 7,933	$ 8,028	$ 1,471	$ -	$ -
Fixed interest rate liabilities	2.41	-	1,538	-	-	320,000	-
		$ 29,085	$ 9,471	$ 8,028	$ 1,471	$ 320,000	$ -

January 1, 2012

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1-2 Years	2+ Years
Non-derivative financial liabilities							
Non-interest bearing		$ 44,240	$ 17,766	$ 455	$ 4,438	$ -	$ -
Fixed interest rate liabilities	2.30	-	76,134	-	-	-	320,000
		$ 44,240	$ 93,900	$ 455	$ 4,438	$ -	$ 320,000

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

January 1, 2012

	On Demand or Less than 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1-2 Years	2+ Years
Gross settled						
Foreign exchange forward contracts						
Inflows	$ -	$ 50,156	$ 1,479	$ -	$ -	$ -
Outflows	-	50,169	1,480	-	-	-
	$ -	$ (13)	$ (1)	$ -	$ -	$ -

28. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is Excelsior Medical Co., Ltd. ("Excelsior"), which held both 42.6% of ordinary shares of the Company as of December 31, 2013 and 2012, respectively.

Balances and transactions between the Company and subsidiaries, which were related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties were disclosed below.

a. Operating revenue

Related Parties Types	For the Year Ended December 31 2013	2012
Parent entity	$ 377	$ 446
Associates of parent entity	-	10,250
Fellow subsidiaries	-	3
The person is one of the Company's supervisors	-	519
	$ 377	$ 11,218

b. Purchases of goods

Related Parties Types	For the Year Ended December 31 2013	2012
Parent entity	$ 178	$ -
Associates of parent entity	124	-
Parent entity is one of its directors	86	86
	$ 388	$ 86

c. Other income

Related Parties Types	For the Year Ended December 31 2013	2012
Parent entity	$ 18	$ -

d. Rental expense

Related Parties Types	For the Year Ended December 31 2013	2012
Parent entity	$ 5,399	$ 698
Associates of parent entity	4	325
	$ 5,403	$ 1,023

e. Information expense

Related Parties Types	For the Year Ended December 31 2013	2012
Parent entity	$ 1,468	$ 1,584

f. Other expense

Related Parties Types	For the Year Ended December 31 2013	2012
Other expense		
Parent entity	$ 769	$ 269
Fellow subsidiaries	1	6
Associates of parent entity	-	1
	$ 770	$ 276

g. Notes receivable, trade receivables and long-term receivables

Related Parties Types	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Parent entity	$ -	$ 37	$ 131
Associates of parent entity	-	4,078	1,532
The responsible person is one of the Company's supervisors	-	-	1,181
	$ -	$ 4,115	$ 2,844
Non-current			
Associates of parent entity	$ -	$ 5,510	$ 4,503

h. Other receivables (included in other current assets)

Related Parties Types	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Parent entity	$ -	$ 4	$ -

i. Prepaid expenses (included in other current assets)

Related Parties Types	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Parent entity	$ 18	$ 27	$ -

j. Trade payables

Related Parties Types	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Parent entity	$ 10	$ -	$ -
Fellow subsidiaries	6	-	-
Parent entity is one of its directors	30	-	-
Associates of parent entity	27	-	-
	$ 73	$ -	$ -

k. Other payables

Related Parties Types	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Parent entity	$ 1,037	$ 266	$ 465
Fellow subsidiaries	10	1	-
Associates of parent entity	703	311	2
	$ 1,750	$ 578	$ 467

l. Amounts received in advance for sales (included in collections in advance)

Related Parties Types	December 31, 2013	December 31, 2012	January 1, 2012
Current			
The responsible person is one of the Company's supervisors	$ -	$ -	$ 2,132

The transactions with related parties were conducted on normal commercial terms.

Rental revenue collected semiannually from related parties and rental expense paid monthly to related parties were based on prevailing market rates.

The outstanding payables to related parties are unsecured. The outstanding receivables from related parties are unsecured. No expense was recognized for the years ended December 2013 and 2012 for allowance for impaired receivables with respect to the amounts owed by related parties.

m. Compensation of key management personnel

	For the Year Ended December 31	
	2013	2012
Short-term employee benefits	$ 11,354	$ 18,099
Post-employment benefits	194	194
	$ 11,548	$ 18,293

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank letter of guarantees:

	December 31, 2013	December 31, 2012	January 1, 2012
Pledged time deposits (included in other financial assets - non-current)	$ 9,000	$ -	$ -

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2013 were as follows:

The Group's unused letters of credit were approximately $20,600 thousand.

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

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

December 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 182	29.545-29.805 (USD:NTD)	$ 5,428
USD	97	7.756 (USD:HKD)	2,895
USD	180	6.097 (USD:RMB)	5,370
HKD	4,769	3.843 (HKD:NTD)	18,327
RMB	271	4.919 (RMB:NTD)	1,331
RMB	491	1.272 (RMB:HKD)	2,400
EUR	23	40.121-41.09 (EUR:NTD)	928
			$ 36,679
Financial liabilities			
Monetary items			
USD	660	29.805 (USD:NTD)	$ 19,686
USD	15	7.8 (USD:HKD)	440
USD	110	6.097 (USD:RMB)	3,282
EUR	11	10.69 (EUR:HKD)	452
NTD	7,035	0.26 (NTD:HKD)	7,035
NTD	3,127	0.206 (NTD:RMB)	3,127
			$ 34,022

December 31, 2012

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 780	29.79-29.09 (USD:NTD)	$ 22,696
USD	220	7.80 (USD:HKD)	6,421
HKD	5,774	3.777 (HKD:NTD)	21,808
RMB	293	4.563 (RMB:NTD)	1,336
RMB	376	1.243-1.244 (RMB:HKD)	1,763
EUR	397	38.49-38.69(EUR:NTD)	15,344
			$ 69,368
Financial liabilities			
Monetary items			
USD	525	29.09 (USD:NTD)	$ 15,282
USD	133	7.80 (USD:HKD)	3,880
EUR	155	38.69 (EUR:NTD)	6,012
EUR	90	10.053 (EUR:HKD)	3,390
NTD	3,910	0.25-0.261 (NTD:HKD)	3,910
NTD	11,545	0.217 (NTD:RMB)	11,545
			$ 44,019

January 1, 2012

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 1,966	30.26-30.32 (USD:NTD)	$ 59,611
USD	49	7.769 (USD:HKD)	1,490
USD	248	6.30 (USD:RMB)	7,515
HKD	1,055	3.927 (HKD:NTD)	4,143
RMB	195	4.909 (RMB:NTD)	955
RMB	10	1.234 (RMB:HKD)	48
EUR	36	39.18-39.38 (EUR:NTD)	1,420
			$ 75,182

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
USD	$ 4,250	30.28 (USD:NTD)	$ 128,677
USD	229	7.769-7.79 (USD:HKD)	6,954
EUR	2	10.054 (EUR:HKD)	90
NTD	14,048	0.257-0.291 (NTD:HKD)	14,048
NTD	12	0.20 (NTD:RMB)	12
			$ 149,781
Non-monetary items			
USD	1	30.325 (USD:NTD)	$ 14

(Concluded)

32. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on results of operations by company. The reportable segments are as follows:

- Dynamic segment - the Company.
- Excelsior Beauty segment - Excelsior Beauty and Join Fun.
- Hong Kong Dynamic segment - Hong Kong Dynamic, Guangzhou Dynamic, Hong Kong Excelsior - Beauty and BeiJing Dynamic.

a. The following are the information of the reportable segments:

	Dynamic Segment	Excelsior Beauty Segment	Hong Kong Dynamic Segment	Adjustments and Eliminations	Consolidated
For the year ended December 31, 2013					
Revenues from external customers	$ 582,424	$ 60,236	$ 255,765	$ -	$ 898,425
Inter-segment revenues	56,432	3,012	3,189	(62,633)	-
Segment revenues	$ 638,856	$ 63,248	$ 258,954	$ (62,633)	$ 898,425
Interest income	$ 5,635	$ 3,789	$ 283	$ (20)	$ 9,687
Finance costs	$ 7,520	$ -	$ 30	$ -	$ 7,550
Depreciation expenses	$ 29,783	$ 5,917	$ 10,953	$ -	$ 46,653
Amortization expenses	$ 3,073	$ 522	$ 160	$ -	$ 3,755
Other significant non-cash items					
Impairment losses on assets	$ 1,897	$ -	$ -	$ -	$ 1,897
Segment income (loss)	$ 51,924	$ (7,496)	$ (1,540)	$ 8,055	$ 50,943
Unallocated amount					-
Profit before income tax					$ 50,943

(Continued)

	Dynamic Segment	Excelsior Beauty Segment	Hong Kong Dynamic Segment	Adjustments and Eliminations	Consolidated
For the year ended December 31, 2012					
Revenues from external customers	$ 904,803	$ 785	$ 171,169	$ -	$ 1,076,757
Inter-segment revenues	58,318	-	11,856	(70,174)	-
Segment revenues	$ 963,121	$ 785	$ 183,025	$ (70,174)	$ 1,076,757
Interest income	$ 5,878	$ 302	$ 107	$ -	$ 6,287
Finance costs	$ 7,673	$ -	$ 233	$ -	$ 7,906
Depreciation expenses	$ 34,919	$ -	$ 7,978	$ -	$ 42,897
Amortization expenses	$ 1,619	$ 22	$ 175	$ -	$ 1,816
Other significant non-cash items					
Reversal of impairment losses on assets	$ 2,256	$ -	$ -	$ -	$ 2,256
Segment income (loss)	$ 138,995	$ (7,689)	$ (39,068)	$ 43,155	$ 135,393
Unallocated amount					-
Profit before income tax					$ 135,393

(Concluded)

b. Revenue from major products and services

The Group mainly sells and leases laser medical equipment for beauty treatment and renders related workshop services, and has no other industrial segment.

c. Geographical information

The Group operates in three principal geographical areas - Taiwan, Hong Kong and Mainland China.

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

	Revenue from External Customers		Non-current Assets		
	Year Ended December 31		December 31,	December 31,	January 1,
	2013	2012	2013	2012	2012
Taiwan	$ 642,660	$ 905,587	$ 137,196	$ 98,532	$ 110,210
Hong Kong	91,786	87,146	9,970	7,096	6,379
Mainland China	163,979	84,024	13,467	7,267	6,089
	$ 898,425	$ 1,076,757	$ 160,633	$ 112,895	$ 122,678

Non-current assets exclude financial instruments, deferred tax assets and post-employment benefit assets.

d. Information about major customers

No individual customer contributed more than 10% to the Group's revenue for the years ended December 31, 2013 and 2012.

33. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation of financial information under IFRSs

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

b. Impact of the transition to IFRSs

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

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

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Presentation Difference	Recognition and Measurement Difference	Amount	Item	Note
Current assets					Current assets	
Cash	$ 586,725	$ -	$ -	$ 586,725	Cash and cash equivalents	
Notes receivable, net	194,025	-	-	194,025	Notes receivable	
Accounts receivable, net	185,179	-	-	185,179	Trade receivables	
Accounts receivable from related parties	2,844	-	-	2,844	Trade receivables from related parties	
Inventories	398,004	-	-	398,004	Inventories	
Prepayments	30,089	-	-	30,089	Other current assets	
Deferred income tax assets - current	11,835	(11,835)	-	-	-	5) b)
Other current assets	1,422	-	-	1,422	Other current assets	
Total current assets	1,410,123	(11,835)	-	1,398,288	Total current assets	
Long-term investments						
Financial assets carried at cost - non-current	52,860	-	(3,373)	49,487	Available-for-sale financial assets - non-current	5) j)
Properties and properties for lease, net	120,029	-	-	120,029	Property, plant and equipment	
Intangible assets						
Computer software	61	-	-	61	Computer software	
Deferred pension cost	266	-	(266)	-	-	5) e)
Total intangible assets	327	-	(266)	61		
Other assets						
Refundable deposits	32,257	-	-	32,257	Refundable deposits	
Long-term notes receivable	20,093	-	-	20,093	Long-term notes receivable	
Long-term accounts receivable	10,095	-	-	10,095	Long-term trade receivables	
Long-term accounts receivable from related parties	4,503	-	-	4,503	Long-term trade receivables from related parties	
Deferred charges, net	2,588	(2,588)	-	-	-	5) f)
-	-	2,588	-	2,588	Other non-current assets	5) f)
Deferred income tax assets - non-current	15,598	12,413	1,076	29,087	Deferred tax assets	5) b), d), e)
Total other assets	85,134	12,413	1,076	98,623		
Total	$ 1,668,473	$ 578	$ (2,563)	$ 1,666,488	Total	
Current liabilities						
Short-term loans	$ 75,652	$ -	$ -	$ 75,652	Short-term borrowings	
Financial liabilities at fair value through profit or loss - current	14	-	-	14	Financial liabilities at fair value through profit or loss - current	
Notes payable	267	-	-	267	Notes payable	
Accounts payable	66,632	-	-	66,632	Trade payables	
Income tax payable, net of prepaid income tax	24,835	-	-	24,835	Current tax liabilities	
Accrued expenses	84,195	-	2,433	86,628	Other payables	5) d)
Other payables to related parties	467	-	-	467	Other payables to related parties	
Other payables	2,602	-	-	2,602	Other payables	
Collections in advance	114,937	-	-	114,937	Collections in advance	
-	-	4,872	-	4,872	Provisions - current	5) h)
Other current liabilities	19,261	(18,202)	-	1,059	Other current liabilities	5) h)
Total current liabilities	388,862	(13,330)	2,433	377,965		
Long-term liabilities						
Liability component of convertible bonds - non-current	300,422	-	-	300,422	Liability component of convertible bonds	
Other liabilities						
Accrued pension cost	1,838	-	2,752	4,590	Accrued pension liabilities	5) e)
Deferred income tax liabilities - non-current	-	578	-	578	Deferred tax liabilities	5) c)
-	-	13,330	-	13,330	Provisions - non-current	5) h)
Total other liabilities	1,838	13,908	2,752	18,498		
Total liabilities	691,122	578	5,185	696,885	Total liabilities	

(Continued)

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to IFRSs: Presentation Difference	Effect of Transition to IFRSs: Recognition and Measurement Difference	IFRSs Amount	IFRSs Item	Note
Shareholders' equity						
Ordinary shares	$ 265,000	$ -	$ -	$ 265,000	Ordinary shares	
Capital surplus						
Additional paid-in capital on issuance of ordinary shares	405,652	-	-	405,652	Additional paid-in capital on issuance of ordinary shares	
Additional paid-in capital on conversion of bonds	19,232	-	-	19,232	Additional paid-in capital on conversion of bonds	
Total capital surplus	424,884	-	-	424,884		
Retained earnings						
Legal reserve	58,062	-	-	58,062	Legal reserve	
Special reserve	5,025	-	-	5,025	Special reserve	
Unappropriated earnings	217,495	-	(5,252)	212,243	Unappropriated earnings	5) d), e)
Total retained earnings	280,582	-	(5,252)	275,330	Total retained earnings	
Other equity items						
Cumulative translation adjustments	2,830	-	-	2,830	Exchange differences on translating foreign operations	
Unrealized gain (loss) on available-for-sale financial assets	-	-	(3,373)	(3,373)	Unrealized gain (loss) on available-for-sale financial assets	5) j)
Net loss not recognized as pension cost	(877)	-	877	-	-	5) e)
Total other equity items	1,953	-	(2,496)	(543)		
Total equity attributable to shareholders of the parent	972,419	-	(7,748)	964,671	Total equity attributable to owners of the Company	
Minority interests in subsidiaries	4,932	-	-	4,932	Non-controlling interest	
Total shareholders' equity	977,351	-	(7,748)	969,603	Total equity	
Total	$ 1,668,473	$ 578	$ (2,563)	$ 1,666,488	Total	

(Concluded)

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

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to IFRSs: Presentation Difference	Effect of Transition to IFRSs: Recognition and Measurement Difference	IFRSs Amount	IFRSs Item	Note
Current assets					Current assets	
Cash	$ 642,876	$ (120,000)	$ -	$ 522,876	Cash and cash equivalents	5) a)
-	-	120,000	-	120,000	Debt investments with no active markets - current	5) a)
Notes receivable, net	157,249	-	-	157,249	Notes receivable	
Notes receivable from related parties	1,710	-	-	1,710	Notes receivable from related parties	
Accounts receivable, net	149,230	-	-	149,230	Trade receivables	
Lease payments receivable	8,349	-	-	8,349	Lease payments receivable	
Accounts receivable from related parties	2,405	-	-	2,405	Trade receivables from related parties	
Other receivables from related parties	4	-	-	4	Other current assets	
Inventories	351,421	-	-	351,421	Inventories	
Prepayments	11,575	-	-	11,575	Other current assets	
Deferred income tax assets - current	15,561	(15,561)	-	-	-	5) b)
Other current assets	8,150	-	-	8,150	Other current assets	
Total current assets	1,348,530	(15,561)	-	1,332,969	Total current assets	
Long-term investments						
Financial assets carried at cost - non-current	52,860	-	14,840	67,700	Available-for-sale financial assets - non-current	5) j)
Properties and properties for lease, net	109,916	-	-	109,916	Property, plant and equipment	
Intangible assets						
Computer software	919	-	-	919	Computer software	
Deferred pension cost	244	-	(244)	-	-	5) e)
Total intangible assets	1,163	-	(244)	919		
Other assets						
Refundable deposits	35,587	-	-	35,587	Refundable deposits	
Long-term notes receivable	13,207	-	-	13,207	Long-term notes receivable	
Long-term accounts receivable	12,320	-	-	12,320	Long-term trade receivables	
Long-term lease payments receivable	8,873	-	-	8,873	Long-term lease payments receivable	
Long-term accounts receivable from related parties	5,510	-	-	5,510	Long-term trade receivables from related parties	
Deferred charges, net	2,060	(2,060)	-	-	-	5) f)
-	-	2,060	-	2,060	Other non-current assets	5) f)
Deferred income tax assets - non-current	17,149	15,561	1,029	33,739	Deferred tax assets	5) b), d), e)
Total other assets	94,706	15,561	1,029	111,296		
Total	$ 1,607,175	$ -	$ 15,625	$ 1,622,800	Total	

(Continued)

ROC GAAP Item	Amount	Effect of Transition to IFRSs: Presentation Difference	Effect of Transition to IFRSs: Recognition and Measurement Difference	IFRSs Amount	IFRSs Item	Note
Current liabilities						
Short-term loans	$ 1,525	$ -	$ -	$ 1,525	Short-term borrowings	
Accounts payable	46,517	-	-	46,517	Trade payables	
Income tax payable, net of prepaid income tax	9,450	-	-	9,450	Current tax liabilities	
Accrued expenses	90,794	-	2,425	93,219	Other payables	5) d)
Other payables to related parties	578	-	-	578	Other payables to related parties	
Other payables	1,172	-	-	1,172	Other payables	
Collections in advance	74,771	-	-	74,771	Collections in advance	
-	-	13,071	-	13,071	Provisions - current	5) h)
Other current liabilities	26,797	(25,332)	-	1,465	Other current liabilities	5) h)
Total current liabilities	251,604	(12,261)	2,425	241,768		
Long-term liabilities						
Liability component of convertible bonds - non-current	307,782	-	-	307,782	Liability component of convertible bonds	
Other liabilities						
Accrued pension cost	1,428	-	2,701	4,129	Accrued pension liabilities	5) e)
-	-	12,261	-	12,261	Provisions - non-current	5) h)
Total other liabilities	1,428	12,261	2,701	16,390		
Total liabilities	560,814	-	5,126	565,940	Total liabilities	
Shareholders' equity						
Ordinary shares	265,000	-	-	265,000	Ordinary shares	
Capital surplus						
Additional paid-in capital on issuance of ordinary shares	405,652	-	-	405,652	Additional paid-in capital on issuance of ordinary shares	
Long-term equity investments	720	(720)	-	-	-	5) i)
-	-	720	-	720	The difference between the price of disposal of subsidiary's share and book value	5) i)
Additional paid-in capital on conversion of bonds	19,232	-	-	19,232	Additional paid-in capital on conversion of bonds	
Total capital surplus	425,604	-	-	425,604		
Retained earnings						
Legal reserve	73,549	-	-	73,549	Legal reserve	
Unappropriated earnings	187,455	-	(5,028)	182,427	Unappropriated earnings	5) d), e)
Total retained earnings	261,004	-	(5,028)	255,978	Total retained earnings	
Other equity items						
Cumulative translation adjustments	(1,364)	-	-	(1,364)	Exchange differences on translating foreign operations	
Unrealized gain (loss) on available-for-sale financial assets	-	-	14,840	14,840	Unrealized gain (loss) on available-for-sale financial assets	5) j)
Net loss not recognized as pension cost	(687)	-	687	-	-	5) e)
Total other equity items	(2,051)	-	15,527	13,476		
Total equity attributable to shareholders of the parent	949,557	-	10,499	960,056	Total equity attributable to owners of the Company	
Minority interests in subsidiaries	96,804	-	-	96,804	Non-controlling interest	
Total shareholders' equity	1,046,361	-	10,499	1,056,860	Total equity	
Total	$ 1,607,175	$ -	$ 15,625	$ 1,622,800	Total	

(Concluded)

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

ROC GAAP Item	Amount	Effect of Transition to IFRSs: Presentation Difference	Effect of Transition to IFRSs: Recognition and Measurement Difference	IFRSs Amount	IFRSs Item	Note
Net sales	$ 1,076,757	$ -	$ -	$ 1,076,757	Net sales	
Operating costs	634,333	(2,256)	-	632,077	Operating cost	5) g)
Gross profit	442,424	(2,256)	-	444,680	Gross profit	
Operating expenses					Operating expenses	
Selling	211,197	-	(112)	211,085	Selling and marketing	5) d), e)
General and administrative	96,525	-	(52)	96,473	General and administrative	5) d), e)
Total operating expenses	307,722	-	(164)	307,558	Total operating expenses	
Income from operations	134,702	(2,256)	164	137,122	Income from operations	
Non-operating income and gains					Non-operating income and gains	
Interest income	6,287	-	-	6,287	Other income	
Foreign exchange gain, net	210	-	-	210	Other gains and losses	
Reversal of impairment loss	1,700	(2,256)	556	-	-	5) g), i)
Miscellaneous	1,172	-	-	1,172	Other gains and losses	
Total non-operating income and gains	9,369	(2,256)	556	7,669	Total non-operating income and gains	
Non-operating expenses and losses					Non-operating expenses and losses	
Interest expense	7,906	-	-	7,906	Finance costs	
Loss on disposal of properties	17	-	-	17	Other gains and losses	
Valuation loss on financial instruments, net	1,173	-	-	1,173	Other gains and losses	
Miscellaneous	302	-	-	302	Other losses	
Total non-operating expenses and losses	9,398	-	-	9,398	Total non-operating expenses and losses	

(Continued)

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Presentation Difference	Recognition and Measurement Difference	Amount	Item	Note
Income before income tax	$ 134,673	$ -	$ 720	$ 135,393	Income before income tax	
Income tax expense	25,352	-	29	25,381	Income tax expense	5) d), e)
Consolidated Net income	$ 109,321	$ -	$ 693	110,012	Consolidated Net income	
				(5,051)	Exchange differences on translating foreign operations	
				18,213	Unrealized gain on available-for-sale financial assets	5) j)
				107	Actual gain and loss arising from defined benefit plans	5) e)
				839	Income tax relating to the components of other comprehensive income	5) e)
				14,108	Other comprehensive income for the period, net of tax effect	
				$ 124,120	Total comprehensive income for the year	

(Concluded)

4) Exemptions from IFRS 1

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

Employee benefits

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

The impact of the above exemptions is explained in "5) significant reconciliation items of transition to IFRSs."

5) Explanations to the significant reconciliation items of transition to IFRSs:

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

a) Time deposits with deposit terms of over three months

Under ROC GAAP, time deposits that can be withdrawn at any moment without detriment to the principal are classified as cash. Under IFRSs, time deposits with deposit terms of over three months are not classified as cash and cash equivalents, because they are not traded in an active market; therefore, time deposits with deposit terms of over three months are reclassified as debt investments with no active market.

As of December 31, 2012 the amounts reclassified from time deposits with deposit terms of over three months to debt investments with no active market were $120,000 thousand.

b) Deferred income tax assets/liabilities

Under ROC GAAP, valuation allowance, if any, is provided to the extent that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred income tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits, and valuation allowance account is not used.

Under ROC GAAP, deferred tax assets and liabilities are classified as current or non-current in accordance with the classification of their related assets or liabilities. However, if deferred income tax assets or liabilities do not relate to assets or liabilities in the consolidated financial statements they are classified as either current or non-current based on the expected length of time before they are realized or settled. Under IFRSs, deferred tax asset and liabilities are classified as non-current assets or liabilities.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from deferred income tax assets to non-current assets were $15,561 thousand and $11,835 thousand, respectively.

c) Offset of deferred income tax asset and liability

Under ROC GAAP, the current deferred income tax liabilities and assets of the same taxable entity should be offset against each other and presented as a net amount; the same for the non-current deferred income tax liabilities and assets.

Under IFRSs, an entity should offset deferred income tax assets and deferred income tax liabilities only if:

i. The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and,

ii. The deferred income tax assets and the deferred income tax liabilities are related to income taxes levied by the same taxation authority.

As of January 1, 2012, both deferred income tax liabilities and assets were adjusted for an increase of $578 thousand simultaneously.

d) Employee benefits - short-term accumulated compensated absences

Under ROC GAAP, there are no specific requirements for recognizing accumulated compensated absences at the end of reporting periods. Companies usually recognize the related costs when the employees actually go on leave. Under IFRSs, the expected cost of short-term accumulated compensated absences should be recognized as the employees render services that increase their entitlement to these compensated absences.

As of December 31, 2012 and January 1, 2012, the IFRS-based evaluation adjustments resulted in increase in accrued expenses by $2,425 thousand and $2,433 thousand, respectively; and increase in deferred income tax assets by $412 thousand and $414 thousand, respectively. In addition, salary expense was adjusted for a decrease of $8 thousand and tax expense was adjusted for an increase of $2 thousand.

e) Employee benefits - actuarial gains and losses of defined benefit pension plans

Under ROC GAAP, unrecognized net transition obligation, resulting from first-time adoption of SFAS No. 18, "Accounting for Pensions," should be amortized to pension cost by the straight-line method over the average remaining service period of those employees who are still in service and expected to receive pension benefits. IAS No. 19, "Employee Benefits," did not have transition policy; therefore, the unrecognized net transition obligation and related amounts should be all recognized in retained earnings at the date of transition to IFRSs.

Under ROC GAAP, actuarial gains and losses should be accounted for under the corridor approach which resulted in the deferral of gains and losses. When using the corridor approach, actuarial gains and losses should be amortized in profit or loss over the average remaining service period of those employees who are still in service and expected to receive pension benefits. Under IFRSs, the Company and subsidiaries should carry out actuarial valuation on defined benefit plans in accordance with IAS No. 19, "Employee Benefits," and recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The actuarial gains and losses recognized in other comprehensive income are recognized immediately in retained earnings in the statement of changes in equity. The subsequent reclassification to profit or loss is not permitted.

At the date of transition to IFRSs, the Company and subsidiaries performed the actuarial valuation on defined benefit plans under IAS No. 19, "Employee Benefits," and recognized the valuation difference under the requirement of IFRS 1. As of December 31, 2012 and January 1, 2012, deferred pension cost was adjusted for a decrease of $244 thousand and $266 thousand, respectively; accrued pension cost was adjusted for an increase of $2,701 thousand and $2,752 thousand, respectively; net loss not recognized as pension cost was adjusted for a decrease of $687 thousand and $877 thousand, respectively; deferred income tax assets were adjusted for an increase of $617 thousand and $662 thousand, respectively. In addition, for the year 2012, pension cost was adjusted for a decrease of $156 thousand, and tax expense was adjusted for an increase of $27 thousand. In addition, for the year 2012, the Company recognized actuarial gains of defined benefit plan of $107 thousand and related tax expense of $18 thousand.

f) Reclassification of deferred charges

Under ROC GAAP, deferred charges are classified as other assets. Under IFRSs, deferred charges are reclassified as properties, intangible assets, prepaid expenses and long-term prepaid expenses according to their nature.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from deferred charges to other non-current assets were $2,060 thousand and $2,588 thousand, respectively.

g) Impairment losses (reversal of impairment losses)

According to the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers, impairment losses on assets are classified as non-operating expense and losses (non-operating income and gains). Under IFRSs, impairment losses on assets should be classified according to their nature and may therefore be included in operating costs, operating expense and non-operating expense and losses (non-operating income and gains).

For the year 2012, the amount reclassified from reversal of impairment loss to operating costs was $2,256 thousand.

h) Product warranty liabilities

Product warranty liabilities are classified as other current liabilities. Under IFRSs, product warranty liabilities are reclassified as provision.

As of December 31, 2012 and January 1, 2012, the amounts of product warranty liabilities reclassified from other current liabilities to provision were $25,332 thousand and $18,202 thousand, respectively.

i) The accounting method for investments in subsidiaries when they issue new shares and the parent does not acquire new shares proportionately and the effect on capital reserve from long-term stock investments.

Under ROC GAAP, when the investor does not acquire proportionately from new shares issued by the investee that results in a change in the ownership holding percentage and interest in the investee's net assets, the difference shall be adjusted to the capital surplus - long-term equity investments and investments accounted under the equity method.

Under IFRSs, a change in investor's ownership of subsidiaries would be deemed as an equity transaction if significant influence or control is not lost.

As of December 31, 2012, the amount reclassified from Long-term equity investments to gain or loss on disposal of equity investment was $720 thousand. In addition, the impairment loss reclassified as deduction of unappropriated earnings was $556 thousand for the year ended December 31, 2012.

j) Financial assets carried at cost

According to the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers, shares not listed on a stock exchange or traded on the OTC market and do not wield significant influence should be classified as a financial asset carried at cost.

Under IFRSs, available-for-sale financial assets or financial assets not designated as investments in equity instruments at fair value through profit or loss should be classified as available-for-sale financial assets and measured at fair value.

As of December 31, 2012 and January 1, 2012, financial assets carried at cost - non-current were adjusted both for a decrease of $52,860 thousand; available-for-sale financial assets were adjusted for an increase of $67,700 thousand and $49,487 thousand, respectively; recognized unrealized gain or loss of available-for-sale financial assets was $14,840 thousand and $(3,373) thousand, respectively. In addition, for the year 2012, other comprehensive income was adjusted for an increase of $18,213 thousand.

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

Time deposits that can be readily cancelled without eroding the principal and negotiable certificates of deposit that can be readily sold without eroding the principal meet the definition of cash in accordance with ROC GAAP. However, under IAS 7 "Statement of Cash Flow", cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Therefore, time deposits with carrying amounts of $120,000 thousand as of December 31, 2012, were held by the Group for investment purposes and not classified as cash under IFRSs.

According to ROC GAAP, interest paid and received and dividends received are classified as operating activities while dividends paid are classified as financing activities. Additional disclosure is required for interest expenses when reporting cash flow using indirect method. However, under IAS 7 "Statement of Cash Flows", cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as operating, investing or financing activities. Therefore, interests received by the Group of $6,271 thousand, for the year ended December 31, 2012 were presented separately at the date of transition to IFRSs.

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