Annual Report 2013

Innovation

Execution

Heritage

D-Link®

Building Networks for People

Financial Highlights

NT$ in thousands

	2013	2012	% Change
Net Sales	30,588,474	32,466,950	-6
Gross Profit	8,067,782	9,481,716	-15
Operating Income	398,273	692,755	-43
Income Before Tax	746,251	1,104,048	-32
Net Income	647,609	778,964	-17
FX Rate (USD to NTD)	**29.7671**	**29.6239**	**0**
Cash & Cash Equivalents	3,275,650	4,030,555	-19
Total Assets	24,457,789	24,509,118	0
Working Capital	6,781,450	6,848,008	-1
Long Term Loans	768,550	1,070,000	-28
Shareholder's Equity	13,347,713	13,656,058	-2
Shares Outstanding **	647,580	647,580	0
FX Rate (USD to NTD)	29.95	**29.136**	**3**

** in thousands

Letter to Shareholders, Customers, Partners, and Employees

ROGER KAO
Chairman & CEO

A.P. CHEN
President

Challenges and Opportunities

In 2013, despite facing a challenging business environment, D-Link made several key achievements. D-Link Cloud Camera shipments grew by 36.3% over 2012, gaining number one market share in the United States and Europe. The number of mydlink™ Cloud Services Global registered users exceeded one million, and D-Link led the way as the first mover in the new, faster 802.11ac routers.

There were still challenges. New competitors from China entered the market such as XiaoMi, Tencent, and Alibaba. The maturity of the Internet equipment market also intensified price competition, and the general macro economy was uncertain, all of which had an effect on D-Link's performance.

Conditions mildly improved in the U.S and Europe during the second half of 2013, and slow but stable growth in China pulled the global economy up. With elections to be held in India and Brazil, and Russia's economy going into a recession following anti-government protests in Ukraine, D-Link is keeping a hopeful yet modest forecast for 2014.

Financial Performance

In 2013, D-Link's global consolidated revenue totaled NT$30.6 billion. Operating income was NT$398.3 million. Net income was NT$647.6million, compared to the previous year's NT$779 million. A combined gross margin of 26.4% was seen in 2013, taking into account inventory provisional loss, which was slightly lower than the 26.8% in 2012. Operating profit margin dropped to 1.3% from 2.1% last year. Annual earnings per share were NT$1.06, versus the previous year's NT$1.23. Substandard overall operating performance in 2013 was due mainly to global economic stagnancy and excessive price competition.

Market Share

According to technology research and advisory firm Gartner[1], in 2013, D-Link ranked first in the Enterprise WLAN market based on standalone access points (764,000 units), with a worldwide market share of 45.7%. In the Enterprise Ethernet Switch market, D-Link ranked third based on total port shipments (61.6 million ports), for a worldwide market share of 15.3%. Additionally, broadband products achieved annual shipments of 20.1 million units, and digital home products achieved annual shipments of 2.9 million units. Based on revenue share by product category[2], wireless products accounted for 34% of annual turnover, followed by 28% for switches, 18% for broadband devices, and 20% for digital home and others.

A Strategy to Win in the Cloud Era

D-Link has defined areas of strategic focus to compete in the Cloud Era. In the consumer market, the first of these areas is Cloud Cameras. D-Link's IP cameras have risen to prominence in the fast-growing IP surveillance market. The unique mydlink platform features Zero Configuration setup that has helped differentiate the line of IP cameras, making them an industry favorite. Another strategic area is the portable router, an indispensable tool for users who need reliable and fast connectivity on the go. D-Link became a first mover in next- generation Wireless 11AC technology, which provides the bandwidth required by users carrying more mobile devices with larger screens and with higher data needs. Being first to market with this the new technology, it's no accident that D-Link has become the number one worldwide provider for 11ac connectivity in the consumer market.

The BYOD (Bring Your Own Device) trend is driving network infrastructure upgrades, transforming the SMB and enterprise markets dramatically. D-Link's unified wireless solutions benefit the BYOB trend with features that provide flexibility, scalability, and offer powerful tools for deployment and management. Meanwhile, SMBs have started upgrading to smart switches from managed switches, enabling them to streamline IT operations and cut costs. These next generation smart switches greatly reduce complexity while offering superior management tools and language support. Another area of strategic focus is D-Link's 4S package surveillance solutions, a line of devices that work together by combining Surveillance, Switches, Storage and Software as a ready-to-deploy solution. In 2013, these competitive advantages have beaten competitors and seized market opportunities worldwide.

mydlink Cloud Services

In 2013, the mydlink Cloud service gave users the features that they want – real-time monitoring, remote management, mobile access, media streaming, and file sharing – enhancements that fueled user base growth. That year, mydlink Cloud Services reached 1 million users; a testament to the evolution of the mobile app and the move towards the Internet of Things. D-Link's Cloud Router, Cloud Camera, and Cloud Storage lines saw the launch of new models. New Cloud Access Points were introduced, bringing the benefits of D-Link's exclusive Cloud Services to a wider market. mydlink Cloud Services offer a significant competitive advantage to D-Link, and as mobile and social trends mature, the company is already helping customers connect to more. D-Link's Cloud Router, Cloud Camera, and Cloud Storage lines all saw the launch of new models. New Cloud Access Points were introduced, bringing the benefits of D-Link's exclusive Cloud Services to a wider market.

Innovation Today and Tomorrow

In 2013, D-Link won several prestigious design awards, including two Red Dot Design Awards, a Good Design award, and three Taiwan Excellence Awards. The DMG-304P HomePlugAV PowerLine Wi-Fi Network Adapter and the DWR-730 Portable HSPA+ Mobile Router both received the Red Dot award for product design. The D-Link 4G Smart Router and the Wi-Vie Share Cam took home Red Dot Design Concept awards, and the DAP-1320 Wireless Range Extender took home a Good Design award. The DIR-505L SharePort™ Mobile Companion was honored with a Taiwan Excellence Gold award, and the DCS-6010L 360-Degree Network Camera and DCS-2310L Outdoor HD PoE Day/Night Network Cloud Camera both took home Taiwan Excellence Silver awards.

Elsewhere, D-Link unveiled a new and highly intuitive router GUI. The new GUI complements the Zero Configuration capability, which has been a major differentiator of D-Link Cloud Cameras (and soon, other mydlink-enabled devices). D-Link also led the way in IPv6 adoption with more than 31 CPE devices certified in 2012, and added 50 more devices to the list in 2013, proving that innovation is thriving at D-Link.

Global Service, Local Touch

D-Link has offices in 67 countries around the world, making the brand widely recognized as a formidable multinational enterprise. In addition to our established leadership in Europe and the United States, D-Link is expanding aggressively in emerging markets such as Latin America, India, Russia, and the Middle East. Unfavorable economic conditions have slowed growth in developed markets, making emerging markets even more important to the company's success, accounting for 62.5% of consolidated revenue in 2013. D-Link's global presence makes it highly responsive to local customer needs by focusing resources in developing localized applications, giving D-Link a critical advantage across markets and product segments.

Outlook

New mobile technologies are presenting exciting opportunities for D-Link in 2014. In the consumer segment, the widespread adoption of 4G LTE technology is making D-Link's portable routers indispensable travel companions. Home automation is a new front where D-Link will compete. A complete line of smart plugs, motion sensor controllers and other Connected Home that can be controlled from mobile devices from anywhere with an Internet connection will be released. 802.11ac Wi-Fi continues to make traction as the standard in Wi-Fi connectivity where D-Link has already gained a strong foothold.

D-Link has made headlines after becoming the worldwide leader in the consumer router market and IP cameras. In 2014, D-Link will focus on launching a varied product mix focusing less on low margin routers and other traditional network equipment. To keep up with the trends like IoT (Internet of things) for the smart city and home, D-Link will integrate hardware and software services with the mydlink platform to give customers new ways to use traditional appliances and devices.

In the business sector, D-Link's primary focus will be in solutions for small to medium businesses, targeting three strategic areas: unified wireless solutions, smart switches, and integrated one-stop surveillance solutions. D-Link's offerings for the business market include Indoor Unified AP, Outdoor Unified AP, Unified Switch, and Unified Controller models. D-Link's smart switches are making it easier for businesses to manage their network without headaches. D-Link Green technology is further boosting the smart switch market as businesses look to reduce their carbon footprint. The 4S integrated, one-stop surveillance solution is another key product offering, providing a total surveillance solution that integrates cameras for increased functional benefits. D-Link IP cameras with 802.11ac connectivity and mydlink cloud technology give users speed, convenience, and functionality. With more devices securing IPv6 adoption, businesses owners and network administrators will have peace of mind knowing their devices will still be compatible as the Internet keeps changing.

Finally, in the Broadband sector, carriers and service providers are increasingly provisioning Wi-Fi networks for home-based data offload and business hotspots as part of their mobile broadband strategy, with this trend being a key growth driver for D-Link's telecom business. Service providers also face competitive pressure to develop new revenue streams from their existing customer base and their relationships with content owners by offering higher bandwidth and additional services.

As D-Link pursues these opportunities in 2014, we wish to thank our shareholders for their long-term confidence in our vision, and also extend our gratitude to the management team and our valued staff worldwide, who continue to uphold the spirit of sound management, sustainable development, and corporate social responsibility. Through our concerted efforts, D-Link will meet its performance targets, achieving continued growth and prosperity.

ROGER KAO
Chairman & CEO

A.P. CHEN
President

[1] Source: Gartner, Market Share: Enterprise Network Equipment by Market Segment, Worldwide, 4Q13 and 2013.

[2] Source: D-Link 2013 financial report

Globalization through Localization

LOCAL MARKET UNDERSTANDING, INTERNATIONAL PRESENCE

Unity: a strategy for success executed on a global scale. D-Link is the worldwide leader and an award-winning designer, developer, and provider of Wi-Fi and Ethernet networking, broadband, multimedia, voice and data communications, and digital electronics solutions. D-Link has systematically expanded its market share by penetrating geographic targets through a strategy of establishing in-country business units supported by a strong corporate foundation.

Confident in the resources of D-Link headquarters to develop and deliver state-of-the-art networking solutions, each local business – regardless of its location around the world – effectively penetrates the market. The Company's innovative products provide solutions for home and businesses, each built with standards-based reliability. D-Link has become a trusted international brand that connects people to their lives, to their work, and to each other.

Emerging Markets, Asia-Pacific Region

In 2013, Emerging Markets and the Asia Pacific Region accounted for 65% the company's total sales revenue

Emerging markets continued to be the major engine of D-Link's expansion, with steady year-on-year growth in Russia, Latin America, the Asia Pacific region, the Middle East, and Africa. D-Link succeeded by increasing local brand awareness, maintaining competitive price points, and developing customized solutions that meet customer needs.

In Russia, despite fierce competition and a lackluster economy, D-Link retained its dominant position as a key market player in the Small Office and Home (SOHO) segment. D-Link also continues to lead the Russian market in the enterprise sector with its access layer switches for ISPs and the budget sector of the video surveillance market. D-Link Russia continued to expand its operations and now has a total of 40 offices in the country with 19 offices in the CIS (Commonwealth of Independent States). This expansion is strengthening brand presence in major Russian and CIS retail networks. Since the opening of the toll-free All-Russia Call Center, there has been an increase in academic partners and authorized training centers at leading Russian and CIS Universities and specialized secondary schools. Part of the success in the academic arena comes from D-Link Russia's participation in a number of social projects, such as IT Planet, the Delphic Games, and WorldSkills Russia 2013, among other academic competitions.

D-Link's strategy in Russia includes customization of products for state and commercial organization projects, training seminars, educational publications, and marketing and technical support for partners. The bestselling products in 2013 were Internet gateways, routers, and xDSL products. The mydlink and new 802.11ac product lines are earning recognition in the Russian market and promise further growth. Plans include expanding local production, extending the distribution network, increasing cooperation with educational institutions, and further developing the local partner network.

In Latin America, 2013 saw growth in the networking market through the adoption of mobile technology, data analysis, and cloud computing in the region. Analysts estimate that the Brazilian market generated approximately US$2 billion in revenue in cloud computing services. Businesses occupying the networking sector will multiply throughout the country and generate revenues of approximately $4.5 billion. While the lack of telecommunications infrastructure outside major metropolitan areas is still a barrier for widespread adoption of cloud computing services, research shows that cloud computing is a high priority for companies operating in Brazil.

In Brazil, growth in the information technology (IT) market was 10.9% at $60 billion, almost double the global average of 5.9%. The majority of the revenue from the IT industry in Brazil remained in the hardware segment, which generated $35.3 billion, followed by services, with $15.4 billion, and software, with $9.4 billion. Brazil ranked seventh in world rankings of IT investments last year, following the United States ($638 billion), China ($173 billion), Japan ($172 billion), United Kingdom ($110 billion), Germany ($101 billion) and France ($76 billion).

In 2013, India's networking market saw growth of 15% to 18% through adoption of mobile devices, data and Video/Voice traffic, and cloud applications. D-Link's reputation as a provider of end-to-end networking solutions helped lead the market in products and solutions for the SMB/SME sector.

In the consumer space, D-Link India introduced the fifth generation wireless standard by launching a host of 11AC wireless routers and adapters with cloud functionality. Innovative products like the DSM-260 and the BabyCam gave D-Link an edge over the competition. In 2013, D-Link enhanced its presence in the IP Surveillance segment through new business in the enterprise segment. A focus in the structured cabling business contributed to substantial revenue growth. D-Link secured large projects in Government and Education, Retail/Manufacturing, Telecom, Corporate, Hospitality, Banking (BFSI) and others.

In early 2013, the crashing rupee and uncertainty in the Indian economy led to a weak business sentiment. However D-Link India's focused market strategy and practical business approach allowed the company to sail through these tough times. D-Link India successfully managed to record relentless growth. 2013 closed with 40% growth year-over-year with D-Link India continuing to break records and witnessing the highest quarterly turnover in Q3 (JAS) at 127 Cr., along with the highest yearly turnover at INR 425 Cr.

CASE STUDY

BANCO DO BRASIL

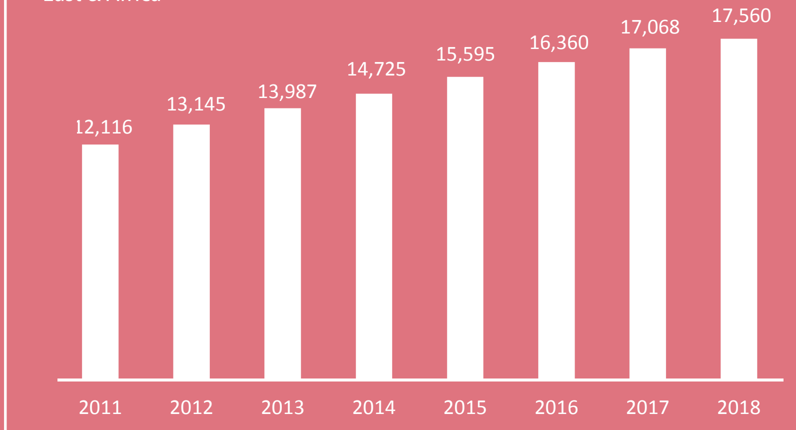
The D-Link Brazil team worked with Banco do Brasil to standardize their switches using a D-Link solution and making D-Link the sole vendor for all branch offices in the country. Banco do Brasil, a hundred year-old institution and the biggest state-owned bank in Latin America, invited all switch vendors to participate in a public hearing to announce its switching branch office project. With more than 12,000 branches serving a large majority of the Latin American population, Banco do Brasil needed to ensure that its systems operated with minimal disruption while maintaining high speed connectivity.

The bank had two major goals in this project; they needed a robust scalable network, and a way to effectively manage devices that are part of the infrastructure. D-Link Brazil cooperated with a D-Link Gold Partner, to work with Banco do Brasil to manage the relationship, provide the necessary equipment, and plan a solution that meets all of the bank's needs. D-Link Brazil solved both of the bank's needs by working with ADTK to customize a solution using D-Links enterprise switches with D-View network management software.

D-Link Brazil's strategy of focusing on the customer as its competitive advantage allowed them to beat HP and Cisco for the project. Using the D-View application to localize and tailor specific functions per Banco do Brasil's requirements meant that D-Link was the more attractive choice for a complete networking solution.

D-Link delivered more than 11,000 DES-3028s and DES-3010Gs, 10,500 DES-3200-28Ps and DES-3200-10s, 9,000 DES-3200-28Ps, and 2,500 DES-3200-10s over the course of the implementation.

End-User Spending on Enterprise Network Equipment by Region, 2011-2018(Millions of Dollars)-Asia Pacific, Japan, Latin America, Middle East & Africa



Source: Gartner, Inc., "Forecast: Enterprise Network Equipment by Market Segment, Worldwide, 2011-2018, 2Q14 Update" By Christian Canales, Naresh Singh, Joe Skorupa and Severine Real. 30 June 2014
Chart create by D-Link based on Gartner data.

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Europe

European economic recovery led to dramatic increases in IP surveillance solutions and consumer services

The economic road to recovery across Europe began tentatively in 2013, with investment in new infrastructure rising. This upturn has been reflected by strong growth in the D-Link Assist service offering, where revenue was up an incredible 120% on last year. In parallel, across Europe, D-Link has again seen strong growth in its complete portfolio of IP Video Surveillance products, with revenue up an impressive 50%, and the range of mobile products seeing a 26% increase compared with last year.

In 2013, the key focus for the Business Solutions division was to grow IP Surveillance sales and gain market share in the Smart and PoE switch market. On top of this, increasing business wireless sales and the delivery of more D-Link Assist contracts through the channel added value to the overall proposition. In the consumer market, the focus was to drive sales of mydlink™ Cloud Services products, including routers, cameras and storage, while also promoting the dlinkgo range to compete at the lower-end of the market. In terms of D-Link's relationships with Telco/ISPs across the region, the focus was on ADSL/VDSL, DOCSIS 3.0 Cable, 4G/LTE and GPON, and investing resources on key technologies and accounts.

Building relationships with professional security firms has also contributed to D-Link Europe's sales and growth. Meanwhile, the education sector continues to be a key focus for both networking and IP Surveillance products. Across the region, D-Link Europe has also increased its presence amongst key players in the retail channel thanks to D-Link's comprehensive home surveillance solutions.

Key products across the region in the past year have included the excellently received DGS-1510 range of smart switches, which have kept D-Link at the forefront of the networking arena. In addition, continuous additions and improvements to the range of IP Surveillance cameras meant that end-user requirements – from the simplest of home cameras, right up to enterprise-class installations – were met. These have continued to be supported by a range of infrastructure solutions that enable customers to receive a comprehensive solution.

D-Link Europe has worked hard over the past year to continue to strengthen its relationships within the channel. Additionally, building relationships with new channel partners in areas such as the traditional CCTV installer market has continued to be receptive thanks to D-Link's flexible alternatives to their traditional solutions.

The launch of the mydlink™ EyeOn™ Baby Monitor was a key promotion for D-Link Europe in 2013 and propelled the company into a completely new marketplace. Supported by an attention-grabbing deal with 20th Century Fox and comprehensive social media campaign, the product has been a hit across Europe and has enabled new channels to open in leading retail outlets across the region.

Other notable efforts include the launch of a much simpler to navigate company website, and an increased presence on social media across the region. Partner support has been bolstered with an updated partner program and portal, and training materials in the D-Link Academy.

In 2014, D-Link Europe will be focusing efforts on finding new routes to market by approaching new channel partners that specialize in areas such as maternity, pharmacy, travel, mobile and digital lifestyles. This will further develop the company's standing as a leader in Wireless AC. These new routes to market also support the crucial launch of D-Link's range of Connected Home products, which will see a significant push in the coming year.

In the Telco arena, 2014 will be the year for LTE across Europe and D-Link will be working closely with key providers in this sector. D-Link Europe will also use its position as a leading vendor in IP Surveillance to open up further opportunities in this sector and continue to grow D-Link Europe's IP Surveillance business.

CASE STUDY

PASSENGER AND TRAFFIC SURVEILLANCE SYSTEM, BUDAPEST

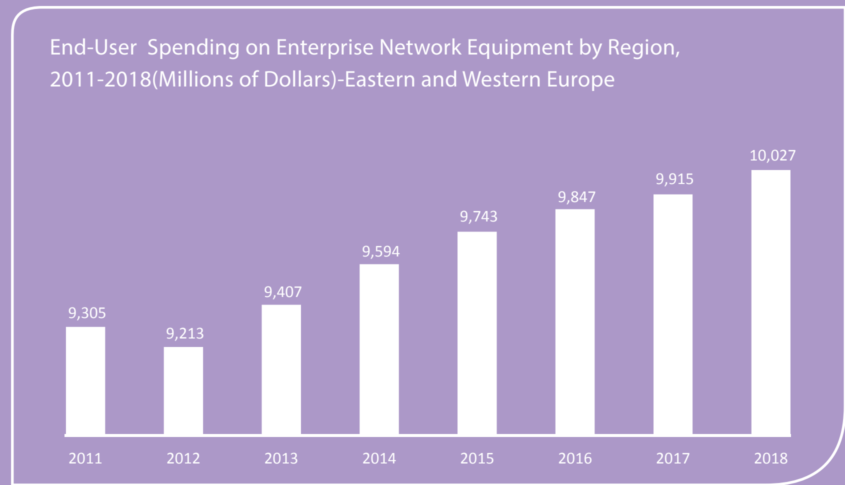
The Centre for Budapest Transport (BKK) received funding from the EU to upgrade its tram services across the city. The tram line, opened in 1984, is one of the busiest tram lines in Budapest with trams running every three minutes during rush hour. This heavy use has resulted in the need for an extensive upgrade while keeping passenger safety as the number one priority.

As part of the upgrade to the existing infrastructure, BKK required a solution to provide passenger security, monitor the network, and prevent damage and vandalism. After examining potential solutions, the management of the BKK decided to implement an IP-based surveillance system with high-resolution and vandal-proof night-vision cameras. Based on their versatility and value, they chose D-Link IP cameras.

BKK used 88 DCS-6314 Full HD WDR Varifocal Day and Night Outdoor Dome Network Cameras to monitor passengers waiting for trams at all stops along the route. The ceiling-mounted cameras use a 1.3MP sensor and varifocal lens to provide crystal clear and remotely adjustable images at every stop. This, coupled with a built-in IR LED illuminator for low-light and night-vision, reduces vandalism day and night.

BKK also installed five DCS-6210 Outdoor Full HD Vandal-Resistant Mini Fixed Dome Network Cameras to monitor elevators and report malfunctions. The camera's compact size makes it perfect for installing in confined environments.

Both the DCS-6314 and DCS-6210 cameras use the NETAVIS VMS system, a scalable server-based surveillance system that fully integrates with D-Link cameras, allowing the BKK to play back live and archived footage easily. The NETAVIS VMS system can also record live video in HD quality. With live video monitoring from the control room, Emergency Services can be deployed promptly and warnings can be announced through loudspeakers. Based on the success of the project, BKK plans to expand this system to monitor bridge tracks around the city using the D-Link DCS-7513 cameras. Their high-resolution 3MP images and long distance infra-red LEDs make it the right choice for the BKK. With plans for tram line upgrades, there are further opportunities for D-Link to supply this growing market.



Source: Gartner, Inc., "Forecast: Enterprise Network Equipment by Market Segment, Worldwide, 2011-2018, 2Q14 Update" By Christian Canales, Naresh Singh, Joe Skorupa and Severine Real. 30 June 2014
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North America

D-Link expanded product breadth by meeting customer needs, with growth coming from key markets such as home surveillance and business network infrastructure

Riding the wave of increased awareness and adoption of IP based Wi-Fi solutions for home security and surveillance, D-Link expanded product lines and distribution to meet the market's growing needs and extend market share. 2013 saw a rapid expansion of D-Link's line of Wi-Fi cameras that include features such as pan and tilt, HD and outdoor weatherproofing. Increased expansion into retail brick-and-mortar stores through initiatives like the addition of five cameras onto BestBuy shelves and ecommerce placements helped D-Link extend market leadership in this key category, showing a healthy 39% share according to NPD. D-Link also introduced the World's first IP camera with the latest Wi-Fi standard of 802.11ac and a USB-based recording solution offering simultaneous storage, streaming and playback of video from up to four cameras.

In 2013, D-Link North America extended market share predominately via increased adoption of IP-based Wi-Fi solutions for home security and surveillance. The year saw rapid expansion of D-Link's line of Wi-Fi cameras that include pan and tilt, HD, and outdoor weather-proofing features. Products got into more retail brick-and-mortar stores, including the addition of five cameras onto Best Buy shelves. Ecommerce placements extended market leadership as well, showing a healthy 39% share, according to consumer market research group NPD.

On the home networking front, D-Link North America was a first mover in the new 802.11ac Wi-Fi standard after launching a line of cylinder shaped 802.11ac routers in several colors. These new routers offer connection speeds and range unmatched by the previous 802.11n standard to meet the increasingly stringent demands of home applications such as HD streaming, online gaming and video calling. The router's unique design, selection of colors, and high performance gave customers a reason to choose D-Link.

Social media continued to be a key channel for engaging customers. Facebook and Twitter were used to share product information, announce promotions, and help customers with technical issues. On the B2B front, the company has a significant following on SpiceWorks, the leading social network among IT administrators and directors.

D-Link continued to increase market share in the enterprise market by providing complex solutions in connectivity and surveillance across a variety of vertical markets. D-Link consistently was able to compete and win projects by offering switching, wireless, IP surveillance, network security and network storage products as comprehensive solutions that off unique benefits to customers.

To recruit more security integrators and IT solution providers, D-Link launched a city-by-city hands-on training program. In this program, company experts provided product training sessions to channel partners where they could use the products and become proficient with them. The goal was to give them the opportunity to learn how to use these products as part of their connectivity solutions. Additionally, enhancements to the company's VIP+ partner program continued to make it very profitable for integrators to lead with D-Link-based solutions.

D-Link also worked with major service providers to win a series of deals for the company to provide broadband solutions to a wide customer base.

CASE STUDY

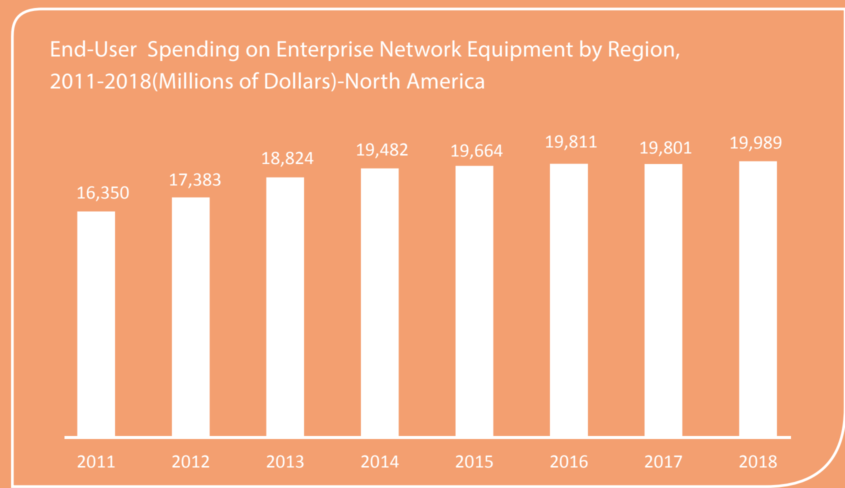
HISTORICAL LANDMARK GETS STATE-OF-THE-ART NETWORK

Menger Hotel enhances guest experience and business productivity with D-Link Solutions

The Menger Hotel, an impressive structure boasting 310 rooms, opened on January 31, 1859. The historical hotel is located in downtown San Antonio, Texas, immediately adjacent to the historic Alamo, River Walk and other tourist attractions. Over the years, the Menger has become one of the best known hotels in the southwest, having hosted celebrities and historical figures including Robert E. Lee, Theodore Roosevelt, Babe Ruth, and Mae West.

Despite its historical landmark status, the Menger found itself at a disadvantage when it came to providing Internet access for its guests and business customers. To replace the outdated DSL service in guest rooms, lackluster wireless access in the lobby, and haphazard back office network, the Menger Hotel chose Beacon Enterprise Solutions to design and implement a robust unified wired/wireless network based on D-Link components.

A complete site survey of the Menger Hotel property determined that the stone walls in the hotel's original footprint were largely impenetrable and the standard dropped ceilings in the newer areas of the hotel were an obstacle to wireless signals or cabling to APs. To provide the performance, range and coverage needed for guest rooms and the meeting room areas, Beacon chose a range of D-Link switches and access points for a total wireless coverage solution.



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Consumer Solutions

D-Link became the first mover in next generation 802.11ac wireless connectivity with Cloud Services, and achieved market leader status soon after

The growth in smartphones and tablets in 2013 has fueled demand for increasingly innovative mobile apps. According to industry sources, by the end of 2013, 6% of the global population owned a tablet, 20% owned PCs, and 22% owned smartphones. Smartphone growth saw exponential growth since 2009 at an increase of 1.3 billion devices in four years. Keeping up with the market trends, D-Link refined its feature-filled mydlink service that lets users view and control their devices through smartphones, tablets and other mobile devices. The service also provides remote storage and monitoring features, giving customers new ways to use their mobile devices. The three "strategic weapons" which use mydlink and Cloud Services as a foundation remained central to this effort.

The first of these weapons was D-Link's line of mydlink-enabled Cloud Cameras. In 2013, D-Link continued innovating in the IP camera market by launching the DCS-825L Wi-Fi Baby Camera. The innovative and feature-filled baby monitor lets parents keep an eye on their children at all times from home or away. The Wi-Fi Baby Camera also introduced features such as temperature detection, two-way audio communication, and calming lullabies. New parents have immediately responded to the DCS-825L with strong sales worldwide.

The second strategic weapon was D-Link's line of portable routers, which consumers are finding to be indispensable travel companions. D-Link put wireless AC in a compact device to create the DIR-510L, the world's first 11ac portable router. The DIR-510L is ideal for sharing a fast LTE mobile broadband connection from a USB LTE adapter with all nearby smartphones, tablets, and laptops. It can turn a USB storage device into personal cloud storage, letting users download files and directly stream video and audio from your connected mobile device. The built-in battery-life turns it into a portable charger for mobile devices as well. It lets users save money by setting up an instant WiFi network in a hotel room or mobile office setting by sharing the WiFi connection with all devices within range.

The third weapon is D-Link's line of Wireless AC Cloud Routers. After the success of the DIR-865L in 2012, D-Link developed its industry-leading line of Wireless AC Cloud Routers. At the forefront is the DIR-868L, an extremely powerful router with AC1750 speeds and a USB 3.0 port for super-fast downloading and smooth media streaming. Also boasting a USB 3.0 port is the DIR-860L, which was ranked Best in Class for Routing Throughput by the respected network review site SmallNetBuilder. Along with the DIR-850L, its AC1200 speed (triple that of existing Wireless N networks) is ideal for online gaming or video streaming. For those on a limited budget, the DIR-820L and DIR-810L offer a more affordable way of taking advantage of Wireless AC speeds. Software updates to the free QRS Mobile app and a new, innovative user interface sweeten the deal by making configuration of the D-Link Cloud Routers quick and intuitive.

D-Link has also been successful in markets outside of these three main areas. The DAP-1320 Wireless Range Extender N300 received a 2013 Good Design Award from the Japan Institute for Design Promotion (JDP), was a PC Magazine Editor's Choice, and was a top seller on Amazon.com. 2013 also saw the launch of the DNS-327L ShareCenter + 2-Bay Cloud Network Storage Enclosure, a perfect network storage solution for home users that makes use of D-Link's free Cloud Services. In 2014, D-Link will expand in these key areas by focusing on R&D, with Cloud Services serving as the cornerstone of D-Link's continued progress in the Consumer market.

ACHIEVEMENTS FOR 2013:

reddot design award
winner 2013

DMG-304P HomePlugAV, DWR-730 HSPA+ Mobile Router each won a red dot Design Award in 2013

GOOD DESIGN

DAP-1320 Wi-Fi Range Extender received a prestigious Good Design Award in 2013

TAIWAN EXCELLENCE 2013

D-Link took home 16 Taiwan Excellence awards in 2013, for products including wireless routers, IP cameras and switches

INNOVATIONS INTERNATIONAL CES DESIGN & ENGINEERING SHOWCASE HONORS 2013

The DCS-825L Wi-Fi Baby Camera won a Design and Engineering Award Honoree at CES 2013

Business Solutions

D-Link is committed to providing SMEs, SMBs, and SOHO customers with powerful and cost-effective networking solutions

D-Link's primary focus has been on solutions for small to medium businesses, a sector that needs stable connections, flexibility, and outstanding price-performance. To meet these requirements, D-Link targeted three strategic areas: unified wireless solutions, smart switches, and integrated one-stop surveillance solutions.

In 2013, D-Link met the demand created by the "bring your own device" (BYOD) trend with unified wireless solutions for SMEs and SMBs. Controller and coordinated AP wireless solutions continued to grow, with market revenue forecasted to hit US$6.1 billion by 2017, in which coordinated AP will consist of 81% of revenue. The introduction of 802.11ac in 2013 has shown a strong adoption rate, stimulating demand on the unified wireless market.

D-Link's offerings for the enterprise wireless market included the DWL-8610AP (D-Link's first managed 11AC access point) and the DWC-2000 controller (which supports 64 to 256 access points per controller). The DWL-8610AP will spearhead the enterprise wireless market for 11AC access points in 2014, while the DWC-2000 will be the key product in large enterprise wireless AP market. The entire product line for the Unified Wireless segment will include products spanning Indoor Unified AP, Outdoor Unified AP, Unified Switch, and Unified Controller markets.

D-Link focused on the improving the user experience by unveiling a new and improved Graphical User Interface (GUI), incorporation of hotspot features, and Facebook Wi-Fi. Additionally, features such as Web Content Filtering, RF Management, and automatic UAP configuration round out the selling points for D-Link's integrated appliances for centralized wireless network management.

In 2013, the enterprise Ethernet switch market held onto wired devices due to concerns related to reliability and speed. D-Link's smart switches performed strongly and will continue to be a priority in the business market as managed and unmanaged switches decline. Smart switches have quickly become the mainstream among small and medium businesses, which require the power and flexibility of managed switches without the complexity, and D-Link's lineup of smart switches offers the best of both worlds. Fast Ethernet ports continue to perform strongly and Power over Ethernet (PoE) is a commonly required feature as the network camera market continues to grow. Revenue and market share have grown steadily as companies are discovering the security, efficiency, and scalability of D-Link smart and metro access switches. Thanks to D-Link Green™ technology, which reduces power consumption 24 hours a day, Auto Surveillance VLAN, which simplifies setup and integration with D-Link's IP cameras, and support for more languages than the competition, D-Link's smart switches are some of the smartest in the industry.

A third area of focus is D-Link's integrated, one-stop surveillance solution (4S), consisting of IP surveillance cameras, switches, software, and storage. Experts estimate that the number of IP surveillance cameras deployed worldwide will surpass analog cameras by 2016. HD over Coaxial cameras will gain momentum, covering a majority of the market. As this transition accelerates, IP surveillance is increasingly becoming a priority of company IT departments. A push toward Megapixel resolution as the norm makes D-Link cameras the ultimate in definition and accuracy. D-Link IP cameras integrate 802.11ac connectivity with mydlink Cloud technology for user convenience and functionality. The streamlined integration, ease of installation and configuration, centralized management, simplified troubleshooting, and guaranteed interoperability of D-Link's one-stop solution are leading the industry in the IP camera market.

IPv6 adoption continues to be strong, and more D-Link devices now bear the IPv6 Ready Logo. All current D-Link routers support dual stack and v4/v6 tunneling mechanisms and ship with the 'IPv6 Ready Phase II' certification and logo. Furthermore, several D-Link IP surveillance cameras and wireless Powerline models are IPv6 certified. To leverage the upward mobile trend, D-Link worked to combine IPv6 readiness with new technologies like 802.11ac and 4G LTE as cellular data rates increase to up to 300 Mbps.

D-Link continues to incorporate green technologies that conserve energy, protect the environment, and reduce waste – while helping businesses reduce costs. D-Link Green™ technology meets or exceeds current guidelines for environmentally-friendly manufacturing and disposal. When the IEEE ratified the green standard for Energy Efficient Ethernet in 2010, D-Link was ahead of the game, having already launched an IEEE-compliant switch. Since then, D-Link has continued to extend this compliance to its entire family of enterprise products, with the long-term goal of helping businesses minimize their carbon footprint.

As an end-to-end solution provider, D-Link offers value-added products that extend across all areas of network infrastructure including switching, security, wireless, IP surveillance, and storage.

ACHIEVEMENTS FOR 2013:

ICSA labs
An Independent Division of Verizon

The ICSA Labs' Firewall Certification Program tests a product's fundamental network firewall functionality and provides assurance to the user community that certified products meet industry-accepted product standards worldwide. The D-Link Service Router (DSR) platform is already certified under the ICSA Labs' Network Firewall testing program. ICSA Labs tests submitted firewall products under Version 4.1x Firewall Product Certification Criteria and defined an industry-accepted standard that all products claiming to have firewall capabilities must attain. The criteria is composed of both functional and assurance requirements. The DSR series (including the DSR-1000(N), DSR-500(N), DSR-250(N) and DSR-150(N)) feature robust Firewall/VPN and an always-on connection supported by route failover/load balancing to allow the products to act as a secure gateway between the Internet and LAN networks.

Service Provider Solutions

D-Link continued expanding its mobile broadband and data offload product lines to meet the demand of Telecom and Service Providers

D-Link substantially gained market share in 2013 in the 3G/LTE CPE market by providing industry-leading products to major Service Providers worldwide. In 2014, D-Link plans to launch portable NAS routers, and 3G/4G routers integrated with Wi-Fi 11ac technology.

Outside the 3G/LTE CPE market, D-Link started developing mobile data offload solutions, including Wi-Fi hot spots and 3G/LTE small cells. With carrier grade access controllers and Hot Spot 2.0 certified APs, Service Providers can now easily and economically deploy a central management capable offload network. D-Link currently provides various small cells with integrated Wi-Fi 11ac to increase flexibility and capability for Telco network deployments. To increase 4G/LTE coverage, small cells will be the most efficient way to fill coverage holes that macrocell cannot cost-effectively cover.

Despite rapid growth of fiber cable, copper remained the standard for providing subscribers with sustainable fixed broadband connections in 2013. Continued cooperation with leading vendors and suppliers has kept D-Link as a leader in providing ADSL/VDSL routers worldwide, especially in emerging markets.

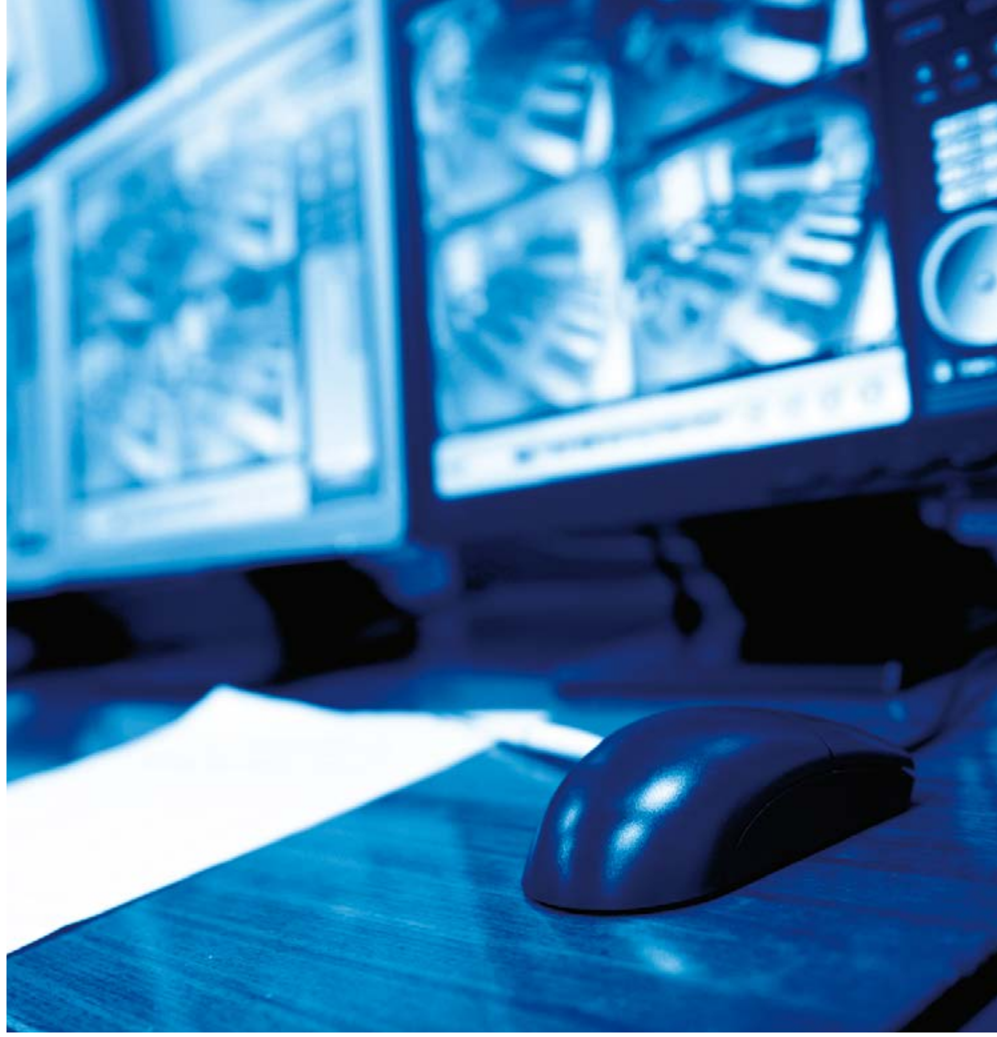
In 2014, D-Link will develop a hybrid solution using fiber integrated with copper technologies. One such technology, FTTdp (fiber to the distribution point), is looking promising as an alternative to FTTH (fiber to the home). FTTH, traditionally rejected by subscribers because of high installation costs, will be replaced with FTTdp because it can offer higher bandwidth (up to 300/150 Mbps (DL/UL)) with lower installation fees. Whereas FTTH requires subscribers to dig a hole in order to lay a fiber cable, FTTdp simply uses the existing copper cable to reach higher data rates and reverse power feeding. This is a win-win because it will simultaneously secure Telco's existing investment in copper while eliminating the cost of installing fiber into the subscriber's home. D-Link will continue to supply Service Providers and their customers with a range of broadband products for connecting to the home. These broadband gateway devices offer a full range of interfaces such as xDSL, 3G, LTE, and 11ac Wi-Fi. D-Link is in a position to continue supporting Telco's IPTV services by enabling customers to have the highest performance availibe at home in 2013.

The Connected Home was an engine of market growth in 2013. D-Link saw a surge in demand for its high speed HomePlug PLC adaptors. These adaptors are an invaluable companion to existing Wi-Fi networks by extending Wi-Fi coverage and increasing wired speed. After a successful year of shipping high volumes to customers in Europe and Canada, D-Link expects to expand its footprint to other Service Providers worldwide in 2014.

Products supporting G.hn, a family of home network technology standards endorsed by ITU-T and many other Service Providers will become a widely used no-new-wire home networking device in 2014. D-Link was the first company to provide a live demo at the Home Grid Forum during CES 2014. G.hn supported devices integrated with Wi-Fi technology can provide subscribers with seamless roaming at home. Products supporting multiple media, such as power lines, coaxial cables and phone lines will be available to Telcos and MSOs in the second half of 2014 for field trials.

Managed Switch revenue dropped slightly compared to 2012 due to a drop in demand for ETTH and economies of major shipping countries underperforming. Expect this area to recover in 2014, with several new launches of cost effective models for the coming year.

In the wireless market, SPBU won several tenders from major Service Providers worldwide in 2013. This included low end wireless 11n 1x1 routers, 11ac 1x1 routers, and 11ac 3x3 high end routers. With support for both TR-069 and IPv6, Service Providers can plan their network, provide new services to subscribers, and maintain a healthy growth rate via D-Link's high-performance routers both easily and cost effectively.



ACHIEVEMENTS FOR 2013:

With several years' of dedication, D-Link started to deliver mobile data offload solutions to service providers, helping them build their offload network.

For fixed line products, D-Link was the first to launch a high end 11ac 3x3 dual band concurrent DSL router with exemplary Wi-Fi performance. which helped service providers offer subscribers an attractive product to help reduce churn rate as well as the number of service calls.

Product Design & Distribution

The pace of change in information technology has accelerated in the mobile, social era, and as a global leader in networking, D-Link is at the forefront of the revolution

For more than 28 years, D-Link has been leading the way in developing new technologies and making them accessible to consumers and businesses all over the world. Today, our innovation, execution, and heritage serve us well as we enter the Cloud era and help our customers connect to more.

D-Link consumer products are known all over the world for industry-leading design and Cloud functionality that enables and empowers today's mobile lifestyle. These features, combined with a reputation for reliability, both fuel and fulfill a growing demand for networking at home and in the small office. Blazing the way forward with innovative offerings such as Cloud Cameras, Portable Routers, and Wireless AC Cloud Routers, D-Link is perfectly positioned to be the center of the digital home.

When it comes to the business market, D-Link does more than just compete with other enterprise-class switch manufacturers – D-Link drives the industry. D-Link's Unified Wireless solutions provide superior wireless coverage and reliability, thereby increasing business productivity, flexibility, and cost efficiency. D-Link smart switches, meanwhile, offer increased security and scalability, hitting the sweet spot between the simplicity of unmanaged switches and the power of managed ones. Finally there is IP surveillance. In every vertical, from retail to residential, education to healthcare, and hospitality to transportation, D-Link's integrated one-stop surveillance solution, comprised of IP surveillance cameras, switches, storage, and software, offers unbeatable flexibility.

No matter whether at home, in the office, or anywhere else, D-Link helps customers connect to more with differentiated, high-value products. Producing goods for a global marketplace, D-Link continues to grow and develop its local business units.

The combination of internationally-respected global brand and a local touch means D-Link's products are promoted and distributed to customers by people they know and trust. This is the case whether they are in Brazil, Russia, Japan, or any of the 67 countries and 189 locations where D-Link does business around the world.

Strategic partnerships and control of the supply chain create synergy which allows D-Link to accelerate product availability. Highly efficient, coordinated teamwork across borders delivers innovative products to every corner of the globe as local teams communicate their requirements to D-Link Headquarters, which fulfills these needs in timeframes that competitors cannot match.

D-Link's mission is "Building Networks for People", and our commitment to providing customers with an unmatched networking experience through outstanding value, ease of connectivity, and a human touch continues to be proven successful one customer at a time.

Corporate Social Responsibility

D-Link's Green Commitment

At D-Link, taking care of the environment is of the utmost importance as we aim to continue our mission of "Building Networks for People". Our role as a global leader in the networking industry requires that we take responsibility to ensure that our products are environmentally-friendly as well as user-friendly, and that we constantly innovate to produce efficient and economical applications.

Our products are compliant with the EU's RoHS and WEEE standards, and we were rated a 5-star organization, and best-in-class for our green practices by TÜV Rheinland. D-Link is registered as an ENERGY STAR partner, the first networking company to do so, guaranteeing that our power adapters comply with Level 5 energy-efficiency guidelines. These certifications supplement our continual commitment to recycling and the avoidance of hazardous materials, demonstrating that we are fully committed to maintaining the environment.

D-Link's record on environmental issues speaks for itself. We were already one of the first companies to release energy-saving network switches and routers, but it was the 2009 introduction of D-Link Green technology that began to really push environmental considerations in networking forward. By 2010, we had Green switches, routers, storage devices, PowerLine adapters, and more. We used less plastic in our packaging, and began to use soy ink in our printing. Our efforts paid off; in 2010, D-Link obtained ISO 14067 compliancy certification on our Ethernet switches (the first company to do so), and ISO 14064-1 certification followed in 2011. We achieved our 2012 social responsibility target; for at least 80% of all our new products to be D-Link Green certified.

Ever since 2008, we have advocated total "Life Cycle Awareness" in the development of our products. This philosophy allows us to be sure that at every stage of a product's cycle we have taken the appropriate environmental considerations, from the initial concept, through to the build materials themselves, all the way to the end of the product's life.

D-Link's industry-leading Shareport technology, as well as providing indispensable utility to the consumer, also furthers our social responsibility mission. While consumers once had to stream media and transfer other data from a networked PC, they may now bypass the computer entirely, allowing direct streaming from the network to a smartphone, tablet, or TV. This drastically reduces the power overhead of a home entertainment system, saving both money and the environment.

Moving forward, we aim to sustain this upward trend by continuing to innovate and push boundaries in order to address our responsibility to the environment.

mydlink™ Cloud Services

D-Link is committed to expanding cloud services and mobile support for its mydlink™-enabled product lines

D-Link's mydlink cloud-based products and mydlink cloud services allow users to access, control, share, and view anywhere and anytime. mydlink cloud services connect D-Link Routers, Network Cameras, NAS, and NVRs to mydlink's servers, bringing new services to mobile devices and computers. mydlink provides multiple mobile applications in Apple's App Store, Google Play, and Windows Market Place for different product uses. Since the launch of mydlink Cloud Services in 2010, there are now more than 1.5 million registered users connecting their Cloud Cameras, Cloud Routers, and Cloud Storage devices to make life better every day.

D-Link is developing products that are designed to work cohesively with mydlink Cloud Services in three product segments: Cloud Cameras, Cloud Routers, and Cloud Storage.

D-Link Cloud Cameras, such as the DCS-825L Wi-Fi Baby Camera, allow parents to watch over their children and monitor valued possessions from a mobile device such as a smartphone or tablet. With mydlink Cloud Services, users can log in to the mydlink web portal (www.mydlink.com) to watch live streams from their Cloud Cameras from a web browser as long as there is an Internet connection. Mobile apps such as mydlink Lite let users easily view their camera's live video stream on their smartphones and tablets. In 2013, D-Link IP cameras accounted for over 40% of the market in the US and EU, showing that users want a solution that simplifies remote monitoring and management.

D-Link Cloud Routers like the DIR-868L use the latest Wireless AC technology to provide homes and small businesses with high-speed wireless access to the Internet. With mydlink Cloud Services, users can set up, control, and monitor their home network from anywhere by using the mydlink Lite app or mydlink web portal. In addition, the mydlink SharePort app lets users remotely access files from anywhere with an Internet connection.

D-Link Cloud Storage products such as Network Attached Storage (NAS) devices continued to gain market share. The global consumer NAS market was valued at US$700 million in 2011, and is expected to reach $1.2 billion by 2015. This market is expected to increase dramatically from 3.5 million units shipped in 2011 to 10.8 million units shipped by 2015, growing at a compound annual growth of 32 percent. The average price per unit of a NAS device is likely to show a significant decrease, from $197.13 in 2011 to $111.32 in 2015. An increase in digital media content, a high demand for secure data backup, and use of NAS devices as media servers are fueling the trend. mydlink Cloud Services will take advantage of this rapid expansion, remaining integral to D-Link's global strategy.

D-Link's home automation products are leading the Internet of Things movement with mydlink™ integrating with new Connected Home products to meet market demands. The global home automation market is estimated to grow from $16.8 billion in 2011 to $47.4 billion in 2018 at a 15.8% growth rate, with D-Link positioned to capitalize on the market.

The introduction of mydlink™ Connected Home products will connect peoples' lives more than ever, as everyday appliances are brought into the networking fold. D-Link is confident that its mydlink™ Cloud Services will propel it to the forefront of the next generation of connectivity for homes and businesses.

Corporate Headquarters & Board Members

Roger Kao
Chairman & CEO

A.P. Chen
President

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D-Link
Building Networks for People

www.dlink.com

D-LINK CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

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

Representation Letter

The entities that are required to be included in the combined financial statements of D-LINK CORPORATION as of and for the year ended December 31, 2013, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Accounting Standards No. 27, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, D-LINK CORPORATION and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

D-LINK CORPORATION

By

ROGER KAO
Taipei, Taiwan, R.O.C
March 6, 2014

Independent Auditors' Report

The Board of Directors
D-LINK CORPORATION:

We have audited the accompanying consolidated balance sheets of D-LINK CORPORATION and subsidiaries as of December 31, 2013, and December 31 and January 1, 2012, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of D-Link's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain subsidiaries accounted in the consolidated financial statements, and our opinion on the amounts presented in the financial statements of certain subsidiaries is based on the reports of other auditors. The total assets of the subsidiaries recognized were $4,471,907 thousand, $4,256,935 thousand and $4,892,253 thousand, constituting 18%, 17% and 18% of the consolidated total assets, as of December 31, 2013 and 2012, and January 1, 2012, respectively and the net operating revenues of the subsidiaries recognized were $9,285,857 thousand and $10,459,786, thousand, constituting 30% and 32% of the consolidated net operating revenues, for the years ended December 31, 2013 and 2012, respectively. The investment in associates accounted for under the equity method amounted to $322,577 thousand, $260,063 thousand and $289,201 thousand, constituting 1% of the consolidated total assets as of December 31, 2013 and 2012, and January 1, 2012, respectively and the related investment income were $7,248 thousand and $27,992 thousand, constituting 1% and 3% of the consolidated income before income taxes, for the years ended December 31, 2013 and 2012, respectively.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of D-Link Corporation and subsidiaries as of December 31, 2013, and December 31 and January 1, 2012, and their financial performance and their consolidated cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretation endorsed by the Financial Supervisory Commission R.O.C.

D-LINK CORPORATION has prepared parent company only financial statements as of and for the years ended December 31, 2013 and 2012, on which we have issued an modified unqualified opinion.

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated statement of financial position

December 31, 2013, and December 31 and January 1, 2012

(Expressed in thousands of New Taiwan Dollars)

		December 31, 2013		December 31, 2012		January 1, 2012	
	Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current assets:						
1100	Cash and cash equivalents(note 6(a))	$ 3,275,650	13	4,030,237	16	5,317,622	20
1110	Financial assets at fair value through profit or loss — Current(note 6(b))	79,540	-	51,151	-	349,109	1
1150	Notes receivable, net(note 6(c))	51,054	-	114,168	-	74,080	-
1170	Accounts receivable, net(note 6(c))	6,685,089	27	5,808,836	23	5,397,325	20
1180	Accounts receivable due from related parties, net(note 7)	3,486	-	5,985	-	17,640	-
1200	Other receivables(note 7)	365,493	1	145,975	1	180,629	1
1220	Current tax assets	194,035	1	117,526	-	153,002	1
130X	Inventories(note 6(d))	6,046,366	25	6,452,294	27	7,391,886	28
1410	Prepayments and other current assets(note 8)	670,909	3	805,130	3	644,737	2
		17,371,622	70	17,531,302	70	19,526,030	73
	Non-current assets:						
1510	Non-current financial assets at fair value through profit or loss(notes 6(b) and (k))	-	-	8	-	-	-
1523	Available-for-sale financial assets — Non-current(note 6(b))	533,870	2	848,649	3	811,876	3
1543	Financial assets carried at cost(note 6(b))	168,402	1	279,358	1	321,606	1
1550	Investments accounted for using equity method(note 6(e))	3,819,591	16	3,620,573	15	3,727,570	14
1600	Property, plant and equipment(note 6(f))	1,313,137	6	1,303,285	6	1,332,549	5
1760	Investment property, net(note 6(g))	42,047	-	24,443	-	24,840	-
1780	Intangible assets(note 6(h))	467,094	2	462,557	2	486,608	2
1840	Deferred tax assets	667,150	3	705,010	3	630,486	2
1900	Other non-current assets	74,876	-	54,142	-	79,534	-
		7,086,167	30	7,298,025	30	7,415,069	27
	Total assets	$ 24,457,789	100	24,829,327	100	26,941,099	100

		December 31, 2013		December 31, 2012		January 1, 2012	
	Liabilities and equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current liabilities:						
2100	Short-term loans(note 6(i))	$ -	-	-	-	139,875	-
2120	Financial liabilities at fair value through profit or loss — Current(notes 6(b) and (k))	15,117	-	26,540	-	92,872	-
2150	Notes payable	4,623	-	1,515	-	11,070	-
2170	Accounts payable	2,563,256	11	2,293,446	9	2,118,070	8
2180	Accounts payable to related parties(note 7)	3,390,235	14	3,171,436	13	4,456,072	16
2200	Other payables(note 7)	2,314,330	10	2,428,313	10	2,367,863	9
2230	Current tax liabilities	345,939	1	402,653	2	269,780	1
2250	Provisions(note 6(j))	340,958	1	455,779	2	431,717	2
2300	Other current liabilities	133,131	1	373,039	1	138,553	-
2320	Current portion of long-term liabilities (note 6(i) and (k))	119,800	-	-	-	1,899,026	7
		9,227,389	38	9,152,721	37	11,924,898	43
	Non-current liabilities:						
2530	Bonds payable(note 6(k))	112,302	-	110,400	-	-	-
2540	Long-term loans(note 6(i))	768,550	3	1,070,000	4	-	-
2570	Deferred tax liabilities	654,829	3	734,447	3	712,194	3
2600	Other non-current liabilities(note 6(m) and 7)	98,369	-	97,796	-	81,055	-
		1,634,050	6	2,012,643	7	793,249	3
	Total liabilities	10,861,439	44	11,165,364	44	12,718,147	46
	Equity attributable to owners of parent:(note 6(o))						
3100	Capital stock	6,475,803	27	6,475,803	26	6,475,803	24
3200	Capital surplus(note 6(k))	2,143,135	9	2,129,637	9	2,117,406	8
	Retained earnings:						
3310	Legal reserve	2,225,584	9	2,147,688	9	2,050,661	8
3320	Special reserve	814,373	3	394,269	2	236,830	1
3350	Unappropriated earnings	3,148,588	13	3,558,971	14	3,805,596	14
		6,188,545	25	6,100,928	25	6,093,087	23
3400	Other equity interest	(651,810)	(3)	(752,585)	(3)	(372,151)	(1)
3500	Treasury stocks	(807,960)	(3)	(530,547)	(2)	(323,798)	(1)
36XX	**Non-controlling interests**	248,637	1	240,727	1	232,605	1
	Total equity	13,596,350	56	13,663,963	56	14,222,952	54
	Total liabilities and equity	$ 24,457,789	100	24,829,327	100	26,941,099	100

See accompanying notes to consolidated financial statements.

D-LINK CORPORATION and subsidiaries

Consolidated statements of comprehensive income

For the years ended December 31, 2013 and 2012

(expressed in thousands of New Taiwan Dollars)

		2013		2012	
		Amount	%	Amount	%
4000	**Net operating revenues (notes 6(r) and 7)**	$ 30,558,474	100	32,466,950	100
5000	**Operating costs (note 6(d) and 7)**	22,490,692	74	23,772,243	73
	Gross profit from operations	8,067,782	26	8,694,707	27
	Operating expenses:(note 6(l))				
6100	Selling expenses	5,457,448	18	5,454,792	17
6200	Administrative expenses	1,261,094	4	1,599,590	5
6300	Research and development expenses	950,967	3	957,267	3
		7,669,509	25	8,011,649	25
	Operating income	398,273	1	683,058	2
	Non-operating income and expenses:				
7010	Other income (notes 6(l), (s) and 7)	130,524	1	223,860	1
7020	Other gains and losses (note 6(t)	26	-	(40,282)	-
7050	Finance costs (notes 6(k) and (u))	(62,494)	-	(38,020)	-
7060	Share of profit (loss) of associates accounted for using equity method (note 6(e))	279,922	1	275,486	1
		347,978	2	421,044	2
	Income before income tax	746,251	3	1,104,102	4
7950	**Less: Income tax expenses (note 6(n))**	69,971	-	293,044	1
	Net income	676,280	3	811,058	3
8300	**Other comprehensive income:**				
8310	Foreign currency translation differences	83,047	-	(492,213)	(2)
8325	Changes in fair value of available-for-sale financial assets	(39,610)	-	57,242	-
8360	Defined benefit plan actuarial gains (losses)	(372)	-	(26,184)	-
8370	Share of other comprehensive income of associates accounted for using equity method	110,427	-	(77,450)	-
8399	Less: Income tax on other comprehensive income	16,849	-	(81,154)	-
8300	**Other comprehensive income, net**	136,643	-	(457,451)	(2)
	Total comprehensive income	**$ 812,923**	**3**	**353,607**	**1**
	Profit attributable to:				
	Owners of the parent	$ 647,609	3	786,135	3
8620	Non-controlling interests	28,671	-	24,923	-
		$ 676,280	**3**	**811,058**	**3**
	Total comprehensive income attributable to:				
	Owners of the parent	$ 800,066	3	343,546	1
	Non-controlling interests	12,857	-	10,061	-
		$ 812,923	**3**	**353,607**	**1**
	Basic earnings per share (New Taiwan dollars)	**$ 1.06**		**1.24**	
	Diluted earnings per share (New Taiwan dollars)	**$ 1.06**		**1.23**	

See accompanying notes to consolidated financial statements.

D-LINK CORPORATION and subsidiaries

Consolidated statement of changes in equity

For the years ended December 31, 2013 and 2012

(Expressed in thousands of New Taiwan Dollars)

	Attributable to owners of the parent										
			Retained earnings			Other equity interest					
	Ordinary Share	Capital surplus	Legal reserve	Special reserve	Unappro-priated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses)on available-for-sale financial assets	Treasury stocks	Attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of January 1, 2012	$ 6,475,803	2,117,406	2,050,661	236,830	3,805,596	(144,938)	(227,213)	(323,798)	13,990,347	232,605	14,222,952
Profit for 2012	-	-	-	-	786,135	-	-	-	786,135	24,923	811,058
Other comprehensive income for 2012	-	-	-	-	(62,155)	(433,060)	52,626	-	(442,589)	(14,862)	(457,451)
Total comprehensive income	-	-	-	-	723,980	(433,060)	52,626	-	343,546	10,061	353,607
Appropriation and distribution of retained earnings (note 1):											
Legal reserve	-	-	97,027	-	(97,027)	-	-	-	-	-	-
Special reserve	-	-	-	157,439	(157,439)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(699,138)	-	-	-	(699,138)	(2,640)	(701,778)
Other changes in capital surplus:											
Compensation cost of share-based payment transaction	-	12,231	-	-	-	-	-	-	12,231	2,865	15,096
Changes in equity of associates accounted for using equity method	-	-	-	-	(17,001)	-	-	-	(17,001)	-	(17,001)
Purchase of treasury share	-	-	-	-	-	-	-	(206,749)	(206,749)	-	(206,749)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(2,164)	(2,164)
Balance on December 31, 2012	6,475,803	2,129,637	2,147,688	394,269	3,558,971	(577,998)	(174,587)	(530,547)	13,423,236	240,727	13,663,963
Profit for 2013	-	-	-	-	647,609	-	-	-	647,609	28,671	676,280
Other comprehensive income for 2013	-	-	-	-	51,682	140,696	(39,921)	-	152,457	(15,814)	136,643
Total comprehensive income for the period	-	-	-	-	699,291	140,696	(39,921)	-	800,066	12,857	812,923
Appropriation and distribution of retained earnings (note 2):											
Legal reserve	-	-	77,896	-	(77,896)	-	-	-	-	-	-
Special reserve	-	-	-	420,104	(420,104)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(608,773)	-	-	-	(608,773)	(2,910)	(611,683)
Other changes in capital surplus:											
Compensation cost of share-based payment transaction	-	5,288	-	-	-	-	-	-	5,288	(2,037)	3,251
Changes in equity of associates accounted for using equity method	-	8,210	-	-	(2,901)	-	-	-	5,309	-	5,309
Purchase of treasury share	-	-	-	-	-	-	-	(277,413)	(277,413)	-	(277,413)
Balance on December 31, 2013	$ 6,475,803	2,143,135	2,225,584	814,373	3,148,588	(437,302)	(214,508)	(807,960)	13,347,713	248,637	13,596,350

Note 1: Directors' and supervisors' remuneration and employees' bonuses amounting to $7,158 thousand and $71,580 thousand,respectiely, were recognized in the consolidated statements of income.
Note 2: Directors' and supervisors' remuneration and employees' bonuses amounting to $2,810 thousand and $2,810 thousand,respectiely, were recognized in the consolidated statements of income.

See accompanying notes to consolidated financial statements.

D-LINK CORPORATION and subsidiaries

Consolidated statement of cash flows

For the years ended December 31, 2013 and 2012

(Expressed in thousands of New Taiwan Dollars)

		2013	2012
Cash flows from operating activities			
Profit before tax	$	746,251	1,104,102
Adjustments for :			
Adjustments to reconcile profit (loss)			
Depreciation expense		201,802	223,460
Amortization expense		33,308	34,862
Provision for bad debt expense		7,369	4,823
Net gain on financial assets or liabilities at fair value through profit or loss		(12,332)	(49,102)
Interest expense		39,407	25,847
Interest income		(42,275)	(57,892)
Dividend income		226,554	272,190
Compensation cost share-based payment transaction		3,251	15,096
Share of profit of associates accounted for using equity method		(279,922)	(275,486)
Gain on disposal of investments		(164,202)	(59,636)
Impairment loss on financial assets		24,200	22,200
Reversal of impairment loss on non-financial assets		(37,145)	-
Loss on redemption of convertible bands payable		-	94,216
Others		(56,083)	135,891
Total adjustments to reconcile profit (loss)		(56,068)	386,469
Changes in operating assets and liabilities:			
Changes in operating assets			
Decrease (increase) in financial assets at fair value through profit or loss		(16,431)	281,593
Decrease (increase) in notes receivable		63,114	(40,088)
Increase in accounts receivable		(883,622)	(419,770)
Decrease in accounts receivable due from related parties		2,499	11,655
Decrease (increase) in other receivable		(219,518)	35,845
Decrease in inventories		251,453	967,542
Decrease (increase) in prepayments and other current assets		132,758	(242,595)
Decrease (increase) in other operating assets		(20,041)	23,739
Total changes in operating assets		(689,788)	617,921
Changes in operating liabilities:			
Increase (decrease) in notes payable		3,108	(9,555)
Increase in accounts payable		269,810	183,135
Increase (decrease) in accounts payable to related parties		218,799	(1,272,536)
Increase (decrease) in other payable		(196,296)	76,547
Decrease in provisions		(32,723)	(9,938)
Increase (decrease) in other current liabilities		(96,421)	234,796
Decrease in other operating liabilities		(5,074)	(9,914)
Total changes in operating liabilities		161,203	(807,465)
Total changes in operating assets and liabilities		(528,585)	(189,544)
Total adjustments		(584,653)	196,925
Cash inflow generated by operations		161,598	1,301,027
Interest received		42,275	57,892
Interest paid		(37,505)	(22,989)
Income taxes paid		(208,990)	(233,724)
Net cash flows (used in) generated by operating activities		(42,622)	1,102,206
Cash flows from investing activities:			
Disposal of available-for-sale financial assets		450,901	70,254
Acquisition of financial assets curried at cost		-	(3,268)
Disposal of financial assets curried at cost		64,922	-
Proceeds from capital reduction of financial assets curried at cost		12,084	12,870
Acquisition of investments accounted for using equity method		(30,000)	-
Disposal of investments accounted for using equity method		-	23,960
Acquisition of property, plant and equipment		(199,039)	(199,271)
Decrease (increase) in refundable deposits		(693)	154
Acquisition of intangible assets		(29,179)	(19,827)
Others		1,463	76,574
Net cash flows (used in) generated by investing activities		270,459	(38,554)
Cash flows from financing activities:			
Decrease in short-term loans		-	(135,068)
Redemption of convertible bonds payable		-	(1,885,700)
Proceeds from (repayment of) long-term debt		(181,650)	1,070,000
Increase in guarantee deposits received		5,275	471
Cash dividends paid		(611,683)	(701,778)
Payments to acquire treasury shares		(277,413)	(206,749)
Net cash flows used in financing activities		(1,065,471)	(1,858,824)
Effect of exchange rate changes on cash and cash equivalents		83,047	(492,213)
Net decrease in cash and cash equivalents		(754,587)	(1,287,385)
Cash and cash equivalents at beginning of year		4,030,237	5,317,622
Cash and cash equivalents at end of year	$	3,275,650	4,030,237

See accompanying notes to consolidated financial statements.

D-LINK CORPORATION and subsidiaries

Notes to the consolidated financial statements

December 31, 2013 and 2012

(Amounts expressed in thousands of New Taiwan Dollars, unless otherwise noted)

1. Company history

D-LINK CORPORATION("the Company") was incorporated on June 20, 1987 under the approval of Ministry of Economic Affair, Republic of China ("ROC"). The address of its registered office is No.289, Xinhu 3rd Rd., Neihu Dist., Taipei City 114, Taiwan. The main operating activities of the Company and its subsidiaries (collectively as the "Consolidated Company") include the research, development, and sale of local area computer network systems, wireless local area computer networks ("LANs"), and spare parts for integrated circuits.

2. Authorisation date and process of Financial statements

The accompanying consolidated financial statements were approved and authorized for release by the Board of Directors on March 6, 2014.

3. New standards and interpretations not yet adopted

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

The International Accounting Standards Board ("IASB") issued the International Financial Reporting Standard 9 Financial instruments ("IFRS 9") on November 2009, which is in effective on January 1, 2013 (in December 2011, the IASB postponed the effective date to January 1, 2015 and in November 2013, the IASB abolished the effective date as January 1, 2015 for preparers of financial reports to have sufficient time in translating to IFRSs, and the new effective date has not been announced). IFRS 9 endorsed by FSC, early adoption is not permitted, and companies shall follow the guidance in accordance to the 2009 version of the International Accounting Standards 39 Financial instruments ("IAS 39"). As of the reporting date, the effective date has not been announced. At the adoption of this new standard, it is expected that there will be impacts on the classification and measurement of financial instruments in the consolidated financial statements.

(b) New and revised standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB not yet endorsed by the FSC that may have an impact on financial statements is as follows:

(Continued)

Issue date	New standards and amendments	Description	Effective date p
2011.5.12 2012.6.28	● IFRS 10 Consolidated Financial Statement ● IFRS 11 Joint Arrangement ● IFRS 12 Disclosure of Interests in Other Entities ● Amendment to IAS 27 Separate Financial Statement ● Amendment to IAS 28 Investments in Associates and Joint Ventures	On May 12, 2011, a series of new standards and amendments related to consolidation, associates and joint ventures were issued. The new standards provide a single control model to determine whether an entity has control over an investee (including special purpose entities), while the consolidation process remains unchanged. In addition, joint arrangements are separated into joint operations (formerly known as jointly controlled assets and jointly controlled entities), and the proportionate consolidation method is removed. On June 28, 2012, amendments were issued clarifying the guidance over the transition period. The adoption of the abovementioned standards may change the ways of determining whether an entity has control over the investee and is expected to increase the disclosures of subsidiaries' and associates' equities.	January, 1 2013
2011.5.12	● IFRS 13 Fair value measurement	Replaces fair value measurement guidance in other standards, and consolidates as a single guidance. The Consolidated Company may have to analyze the possible effects on the measurement of assets and liabilities if the abovementioned standard is adopted. This amendment may cause an increase in fair value disclosures.	January, 1 2013
2011.6.16	● Amended to IAS 1 Presentation of Financial Statements	Items presented in other comprehensive income shall be based on whether they are potentially reclassifiable to profit or loss subsequently. The Consolidated Company expects the aforementioned amendments will change the presentation of other comprehensive income in the consolidated statements of comprehensive income.	July 1, 2012
2011.6.16	● Amended to IAS 19 Employee Benefits	Eliminates the corridor method and eliminates the option to recognize changes in the net defined benefit liability (asset) in profit or loss; in addition, requires the immediate recognition of past service cost. The adoption of the abovementioned standards will change the Consolidated Company's presentation and measurement on the accrued pension liabilities and actuarial gains and losses.	January 1, 2013

(Continued)

Issue date	New standards and amendments	Description	Effective date p
May 29, 2013	Amended IAS 36 Impairment of Assets	Prior to the amendments, an entity was required to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. In addition, the level of the fair value hierarchy and the key valuation assumptions made (Levels 2 or 3) are required to be disclosed if the recoverable amount is based on fair value less costs of disposal. The adoption of the abovementioned standards may cause an increase in fair value disclosures.	January 1, 2014 (available for early adoption)

4. Significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Unless otherwise stated the significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently to the IFRS consolidated statement of financial position approved by the FSC on January 1, 2012.

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

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to the Regulations) and IFRSs endorsed by the FSC.

These are the Consolidated Company's first IFRS consolidated financial statements for part of period covered by the first IFRS (endorsed by the FSC) annual financial statements, and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance, and cash flows of the Consolidated Company is provided in note 14.

(b) Basis of Preparation

(1) Basis of Measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on the historical cost basis:

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

(ii) Available-for-sale financial assets are measured at fair value;

(iii) Equity-settled share-based payment are measured at fair value;

(iv) The defined benefit liability is recognized as the present value of the defined benefit obligation, less the net value of pension plan assets;

(2) Functional and presentation currency

The functional currency of the Consolidated Company is determined based on the primary economic environment in which its entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Consolidated Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(1) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprised of the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances, income and expenses should be eliminated in full in preparing the consolidated financial statements.

Changes in the Consolidated Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(2) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2013	Shareholding December 31, 2012	Shareholding January 1, 2012	Note
The Company	D-Link Holding Company Ltd. (D-Link Holding)	Holding company	100.00%	100.00%	100.00%	
The Company	D-Link Canada Inc. (D-Link Canada)	Marketing and after-sales service	100.00%	100.00%	100.00%	
The Company	D-Link Japan K.K. (D-Link Japan)	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link and D-Link Holding	D-Link Sudamerica S.A. (D-Link Sudamerica)	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link and D-Link Holding	D-Link Brazil LTDA (D-Link Brazil)	Marketing and after-sales service	100.00%	100.00%	100.00%	
The Company	D-Link Latin America Company Ltd.(D-Link L.A.)	Marketing and after-sales service	100.00%	100.00%	100.00%	
The Company and D-Link Sudamerica	D-Link Mexicana S.A de C.V (D-Link Mexicana)	Marketing and after-sales service	100.00%	100.00%	100.00%	
The Company and D-Link Holding	D-Link Systems, Inc. (D-Link Systems)	Marketing and after-sales service	97.76%	97.76%	97.76%	
The Company and D-Link Holding	D-Link International Pte. Ltd (D-Link International)	Marketing, purchase and after sales service	100.00%	100.00%	100.00%	
The Company and D-Link International	D-Link Australia Pty Ltd. (D-Link Australia)	Marketing and after-sales service	100.00%	100.00%	100.00%	

(Continued)

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2013	December 31, 2012	January 1, 2012	Note
The Company and D-Link International	D-Link Middle East FZCO (D-Link ME)	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link International	D-Link Korea Limited (D-Link Korea)	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link International	D-Link Trade M (D-Link Moldova)	Marketing and after-sales service	100.00%	-	-	D-Link Moldova was incorporated in the third quarter of 2013, with an investment of $13 thousands.
The Company	Yeo-Chia Investment Ltd. (YEOCHIA)	Professional investment company	100.00%	100.00%	100.00%	
The Company	Yeo-Mao Investment Ltd. (YEOMAO)	Professional investment company	100.00%	100.00%	100.00%	
The Company	Yeo-Tai Investment Ltd. (YEOTAI)	Professional investment company	100.00%	100.00%	100.00%	
D-Link Holding	D-Link (Europe) Ltd. (D-Link Europe)	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link Holding	D-Link Shiang-Hai (Cayman) Inc. (D-Link Shiang-Hai (Cayman))	Holding company	100.00%	100.00%	100.00%	
D-Link Holding	D-Link Holding Mauritius Inc. (D-Link Mauritius)	Holding company	100.00%	100.00%	100.00%	
D-Link Holding	OOO D-Link Russia (D-Link Russia)	After-sales service	100.00%	100.00%	100.00%	
D-Link Holding	D-Link Hong Kong Ltd. (D-Link Hong Kong)	Holding company	100.00%	100.00%	100.00%	
D-Link Holding	OOO D-Link Trade (D-Link Trade)	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link Holding	Success Stone Overseas Corp. (Success Stone)	Holding company	100.00%	100.00%	100.00%	
D-Link Holding	Wishfi Pte. Ltd. (Wishfi)	Research and development, marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link Mauritius	D-Link India Ltd. (D-Link India)	Marketing and after-sales service	60.37%	60.37%	60.37%	
D-Link Europe	D-Link (Holdings) Ltd. and its subsidiary D-Link (UK) Ltd. (D-Link UK)	Holding company	100.00%	100.00%	100.00%	
D-Link Europe	D-Link France SARL (D-Link France)	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link Europe	D-Link AB	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link Europe	D-Link Iberia SL (D-Link Iberia)	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link Europe	D-Link Mediterraneo SRL (D-Link Mediterraneo)	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link Europe	D-Link (Netherlands) BV (D-Link Netherlands)	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link Europe	D-Link (Deutschland) GmbH (D-Link Deutschland)	Marketing and after-sales service	100.00%	100.00%	100.00%	

(Continued)

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2013	December 31, 2012	January 1, 2012	Note
D-Link Europe	D-Link Polska Sp. Z.o.o. (D-Link Polska)	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link Europe	D-Link (Magyarorszag) kft (D-Link Magyarorszag)	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link Europe	D-Link s.r.o	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link Europe	D-Link Adria d.o.o	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link Shiang-Hai (Cayman)	D-Link (Shiang-hai) Co., Ltd (DCN)	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link Shiang-Hai (Cayman)	Netpro Trading (Shiang-hai) Co., Ltd (DWZ)	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link Shiang-Hai	Zhejiang Topkee Communication Technology Co., Ltd. (Topkee)	Marketing and after-sales service	-	-	76.92%	Sold out all the shares of Topkee hold on May 3, 2012.
D-Link Sudamerica and D-Link L.A.	D-Link del Ecuador S.A.	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link Sudamerica and D-Link L.A.	D-Link Peru S.A.	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link Sudamerica and D-Link L.A.	D-Link de Costa Rica S.A.	Marketing and after-sales service	100.00%	100.00%	100.00%	
D-Link Sudamerica	D-Link Paraguay S.A.	Marketing and after-sales service	99.00%	99.00%	99.00%	
D-Link Sudamerica	D-Link de Colombia S.A.S	Marketing and after-sales service	100.00%	100.00%	99.58%	
D-Link Sudamerica	D-Link Guatemala S.A.	Marketing and after-sales service	99.00%	99.00%	99.00%	
D-Link Sudamerica	D-Link Argentina S.A.	Marketing and after-sales service	100.00%	100.00%	100.00%	

(3) List of subsidiaries which are not included in the consolidated financial statment: None.

(d) Foreign currency

(1) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Consolidated Company entities at exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction. Foreign currency differences are recognized in profit or loss, except for available-for-sale financial asset which are recognized in other comprehensive income.

(2) Foreign operations

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

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

An entity shall classify an asset as current when:

(1) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(2) It holds the asset primarily for the purpose of trading;

(3) It expects to realize the asset within twelve months after the reporting period; or

(4) The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

(1) It expects to settle the liability in its normal operating cycle;

(2) It holds the liability primarily for the purpose of trading;

(3) The liability is due to be settled within twelve months after the reporting period; or

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

An entity shall classify all other liabilities as non-current.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and all highly liquid investments subject to insignificant risk of changes in value.

A time deposit is qualified as a cash equivalent when it has a maturity of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Also, it is held for the purpose of short-term cash commitments rather than for investment or other purposes.

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(g) Financial Instruments

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

(1) Financial assets

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

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling or repurchasing in the short term.

This type of financial asset is measured at fair value at the time of initial recognition, and the attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend and interest income, are recognized in non-operating income and expense, and are included in other profit and loss. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting.

(ii) Available-for sale financial assets

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

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

Dividend income is recognized in profit or loss on the date that the Consolidated Company receive dividend payment, which is normally the ex-dividend date and such dividend income is recognized as other income.

(iii) Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise notes receivables, account receivables and other receivables. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables.

(iv) Impairment of financial assets

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

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

Receivables are assessed by internal credit rating system whether the objective evidence of impairment exists individually for financial assets. If the Consolidated Company determines that the objective evidence of impairment exists for an individually assessed financial asset, then that will be individually assessed for impairment. If the Consolidated Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it should include the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

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

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

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debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries are recognized as non-operating income and expenses in other gains and losses.

(v) Derecognition of financial assets

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

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

(2) Financial liabilities and equity instruments

(i) Convertible corporate bonds

Convertible bonds issued by the Company create both a financial liability and options to convert to equity for holders are recorded as hybrid financial instruments. At the time of issuance, the original cost of issuance is allocated to both the liability and equity component of the convertible bond. The liability component of the convertible bond is determined by the fair value of similar liabilities which are unrelated to the equity component-stock option. Any change in fair value of the equity component of the convertible bonds is not recognized. The interest on the convertible bond is calculated by using the effective interest method and is amortized over the contract term and recorded as current expense. The embedded derivative financial liabilities are measured at fair value, and any changes are reflected in current profit or loss. When the bondholders request conversion, the Company will adjust the liability component first and recognize it as net income or loss after valuing at the fair value. the Company shall account for common stock as the sum of the carrying amount of the liability component and equity component at the redemption date.

The embedded call and sell options of the convertible corporate bonds shall be recorded under financial assets (liabilities) at fair value through profit or loss with their net amount. Then, at the balance date, they will be assessed at the current fair value, and the differences shall be recorded under valuation gain (loss) on financial instruments. At the end of agree-upon sell back period, the fair value of the sell options shall be all transferred to capital surplus if the market price of the convertible common stock is higher than the agreed sell back price. In contrast, the fair value of the sell options shall be all transferred to profit in the current period.

If the holders of the bonds are able to execute the sell options in the following year, the corporate bond payable shall be classified as current liabilities. If the execution period ends and the options are not executed, the corporate bond payable shall be classified as non-current liabilities.

(ii) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. A financial liability is classified as held-for-trading if it is acquired principally for the purpose of selling in the short term.

At the initial recognition, financial liabilities are measured at fair value through profit or loss and transaction costs are recognized as profit or loss as incurred. Subsequent to initial recognition, financial liabilities are measured at fair value, and changes therein are recognized as non-operating income and expenses in other gains and losses.

(iii) Other financial liabilities

Financial liabilities that are not classified as held-for-trading or measured at fair value through profit or loss, which comprise loans and account payable, and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalised as capital cost is recognized in non-operating income and expense, and is included in other gains and losses.

(iv) Derecognition of financial liabilities

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

(v) Offsetting of financial assets and liabilities

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

(3) Derivative financial instruments

The Consolidated Company holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in non-operating income and expense, and are included in other gains and losses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and the host contract is measured as at fair value through profit or loss.

(h) Inventories

The cost of inventories shall comprise all costs of purchase and other costs incurred in bring the inventories to their present location and condition. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis. Cost is determined using the weighted-average method. Net realizable value is based on the estimated selling price of inventories less all further costs to completion and all relevant marketing and selling costs. Related expenses/losses and incomes of inventory are included in the cost of sales.

(i) Investment in associates

Associates are those entities in which the Consolidated Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Consolidated Company holds between 20% and 50% of the voting power of another entity.

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

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

Unrealized profits resulting from the transactions between the Consolidated Company and an associate are eliminated to the extent of the Consolidated Company's interest in the associate.

If an associate issues new shares and the Consolidated Company does not acquire new shares in proportion to its original ownership percentage but still have significant effect, the change in the equity shall be used to adjust the capital surplus or retained earnings, and investments are accounted for using equity method. If it resulted in a decrease in the ownership interest, except for the adjustments mentioned above, the related amount previously recognized in other comprehensive income in reation to the assocate will be reclassified proportionately on the same basis as if the Consolidated Company had directly disposed of the related assets or liabilities.

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently the depreciation expense of investment property is determined based on the depreciable amount, where the depreciation methods useful lives and its residual value are in consistent with the standards in property, plant and equipments.

(k) Property, plant and equipment

(1) Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

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

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

(2) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when there is a change in use.

(3) Subsequent cost

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

(4) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and is estimated using the straight-line method over its useful life and is assessed based on the components that are significant. If the useful life of a component differs from that of others, the depreciable amount should be disclosed individually. The depreciable amount is recognized in profit and loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(i) Buildings and improvements: 5~56 years

(ii) Transportation, office equipment and others: 2~9 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change(s) is accounted for as a change in an accounting estimate.

(l) Leases

(1) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

(2) Lessee

Leases are classified as operating leases if it doesn't transfer substantially all the risks and rewards incidental to ownership. Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the lease term.

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(m) Intangible assets

(1) Goodwill

(i) Recognition

Goodwill arises from acquisition of subsidiaries is included in intangible assets.

(ii) Subsequent measurement

Goodwill are carried at cost less accumulated impairment losses. As regards to the investments accounted for using equity method, the carrying value of goodwill consists of the carrying value of its investment. The impairment loss is attributed to parts of investments accounted for using equity method other than goodwill or other assets.

(2) Other intangible asset

Other intangible asset are carried at cost less accumulated amortization and accumulated impairment losses.

(3) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(4) Amortization

The amortized amount is the cost of an asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

(i) Distribution channel: 5 years

(ii) Computer software: 3~5 years

(iii) Patents: 11~16 years

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

(n) Impairment – non-derivative financial assets

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

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

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An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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

(o) Provisions

A provision is recognized if, as a result of a past event, the Consolidated Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(1) Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(2) Allowances for sales returns

Allowances for sales returns are estimated based on historical experiences. Such provisions are deducted from sales in the year the products are sold.

(3) Pending legal proceedings

Pending legal proceedings are estimated at the expected legal cost based on historical experiences.

(p) Treasury stocks

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

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; Losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

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(q) Revenue

(1) Goods sold

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

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement or be transferred to the customers which occurs principally at the time when the goods are delivered.

(2) Services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

(r) Employee benefits

(1) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by the employees. YEOCHIA, YEOMAO, YEOTAI, DHD and other holding companies do not have employees on the payroll, and therefore, do not have a pension plan. DEU and other subsidiaries adopt pension plans in accordance with the local authorities. DCN contribute retirement annuity funds based on the statutory rate on employees payroll and the pension expenses are recognized in profit or loss for the year, while DEU and other subsidiaries recognized pension expenses based on the contributions in that year.

(2) Defined benefit plans

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

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

All actuarial gains and losses arising subsequently from defined benefit plans in other comprehensive income and transferred to the retained earnings.

(3) Short-term employee benefits

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

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

(s) Share-based payment

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

If the modification of the equity instruments granted the reduced total fair value of the share-based payment arrangements, the Consolidated Company shall be accounted for the services received as if that modification had not occurred.

(t) Income Taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses recognized directly in other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

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

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

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

(2) Temporary differences arising from investments in subsidiaries and it's probable that the temporary differences will not reverse in the foreseeable future.

(3) Initial recognition goodwill.

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

An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:

(1) The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(2) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

A deferred tax asset should be recognized for the carryforward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized. The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period and shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

(u) Earnings per share

The Consolidated Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible notes, employee stock options, and employee bonus settled using shares that have yet to be approved by the shareholders' meeting . The effect on net income per common share from the increase in stock from the transfer of unappropriated earnings, capital surplus, and employee profit sharing is computed retroactively.

(Continued)

(v) Operating segments

An operating segment is a component of the Consolidated Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Consolidated Company). The operating results of all operating segments are regularly reviewed by the Consolidated Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment has its financial information.

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

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

Management continued to monitor the estimates and assumptions. Management recognized the changes in the accounting estimates during the period and the impact of changes in the accounting estimates in the next period.

The book value of the assets and liabilities below are affected by accounting assumptions and judgments and have significant impact on the consolidated financial statements. The actual results may differ from the information below if these accounting assumptions and judgments are adopted.

(a) Financial assets at fair value

The fair value of non-active market or non-quoted financial instruments is determined using valuation techniques. Such fair value is based on observable data of similar financial instruments or valuation model. If there are no observable market parameters, the fair value of financial instruments is evaluated based on appropriate assumptions. If fair value is determined by the valuation model, the model is calibrated to ensure that all output data and the results reflect the actual market price. This valuation model use only observable data as much as possible. As regards to the credit risks (counterparty credit risk), management has to estimate its fluctuations and its correlations.

(b) Impairment assessment on intangible assets

The Consolidated Company will assess the recoverable amount on its intangible assets at the end of each reporting date. Determining whether goodwill is impaired requires an calculation of the value in use is based on the estimated 5 years future cash flows of the Consolidated Company. Financial forecast on future cash flows is based on the growth of future annual revenue, cost and gross profit.

(c) Impairment assessment of investments under equity methods

The Consolidated Company assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value may not be recoverable. The Consolidated Company assesses the impairment based on projected future cash flow of the investments, including the estimated sales growth rate by investees' internal management team, and the Consolidated Company will analyze the reasonableness of related assumptions.

(Continued)

(d) Estimation on provision

Provisions on sales returns of the Consolidated Company are mainly connected with returns on sales and is based on historical information of similar products and services.

Based on the legal consultants of the Consolidated Company, management will estimate the most possible results and estimate the costs of litigation.

(e) Valuation on inventory

Inventories are stated at the lower of cost or net realizable value, and the Consolidated Company use judgment and estimate to determine the net realizable value of inventory at the end of each reporting period. Due to the rapid technological changes, the Consolidated Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value.

(f) Post-employment benefits of defined benefit plan

When calculating the present value of the defined benefit obligation, the Consolidated Company shall use judgments and estimations to determine the actuarial assumptions, including discount rate and expected return on plan assets, at the end of the reporting period. Any change in the actuarial assumptions may impact on amount of the defined benefit obligation.

(g) Income tax expense and deferred income tax assets and liabilities

The income tax of the Consolidated Company is based on the laws of each country in which the companies are registered. Parts of transactions and calculations may differ due to different recognition between the tax authorities and the Consolidated Company, which can result in uncertainty in income tax. The Consolidated Company will assess the additional tax burden from the recognition differences which will be recognized under income tax and deferred tax. Any difference between the ultimate tax charge and the estimated amount will be an impact on the recognition of income tax and deferred tax.

6. Explanation of significant accounts

(a) Cash and Cash Equivalents

		December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$	13,820	6,470	6,635
Checking and saving accounts		2,764,563	2,984,877	2,930,260
Cash equivalents		497,267	1,038,890	2,380,727
	$	3,275,650	4,030,237	5,317,622

Please refer to 6(v) for the interest risks in financial assets and liabilities and their sensitivity analysis.

A time deposit is qualified as a cash equivalent when it has a maturity of three months or less from the date of acquisition and it is held for the purpose of short-term cash commitments. Otherwise, they are classified as other financial assets.

(b) Financial Assets and Liabilities

(1) Information of financial assets and liabilities are as follows

		December 31, 2013	December 31, 2012	January 1, 2012
Financial assets at fair value through profit or loss – current				
Beneficiary certificates – mutual funds	$	68,090	-	270,309
Foreign currency option contracts		1,556	642	20,966
Forward foreign exchange contracts		-	4,858	7,937
Convertible corporate bonds		-	40,665	49,700
Cross currency swaps		9,894	4,986	197
	$	79,540	51,151	349,109
Financial assets at fair value through profit or loss – noncurrent				
Embedded derivative in convertible corporate bonds	$	-	8	-
Financial liabilities at fair value through profit or loss – current				
Embedded derivative in convertible corporate bonds	$	-	-	81,520
Foreign currency option contracts		8,437	8,477	4,506
Forward foreign exchange contracts		326	4,752	1,134
Cross currency swaps		6,354	13,311	5,712
	$	15,117	26,540	92,872
Available-for-sale financial assets – noncurrent:				
Cameo Communication, Inc. (CAMEO)	$	361,658	283,466	328,146
MediaTek, Inc. (MEDIATEK)		-	235,140	201,704
IC Plus Corp. (ICPC)		85,086	89,784	103,728
Lanner Electronics, Inc. (LEI)		-	132,286	112,463
Abocom Systems, Inc. (ASI)		26,795	27,736	26,589
Z-Com, Inc. (Z-Com)		60,331	80,237	39,246
	$	533,870	848,649	811,876

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets carried at cost – noncurrent:			
QuieTek Corporation (QUIETEK)	$ 105,688	105,688	105,688
Azure Venture Partners I, L.P.	-	75,061	89,733
Global Mobile Corp.	22,500	43,800	66,000
ID Branding Fund Inc.	28,500	37,500	45,000
Others	11,714	17,309	15,185
	$ 168,402	279,358	321,606

(i) The Consolidated Company holds financial assets carried at cost. Because of continuing losses from the invested companies, the Consolidated Company recognized the impairment loss amounting to $24,200 thousand and $22,200 thousand in 2013 and 2012 respectively.

(ii) For disclosures on credit, currency and interest rate risks in financial instruments, please refers to note 6(v).

(iii) As of December 31, 2013, and December 31 and January 1, 2012, no financial assets are pledged as collateral .

(2) Sensitivity analysis – equity market price risk:

If the security price changes, and if it is on the same basis for both years and assumes that all other variables remain the same, the impact on other comprehensive income will be as follows:

	2013		2012	
Security price at reporting date	**After-tax other comprehensive income**	**After-tax profit (loss)**	**After-tax other comprehensive income**	**After-tax profit (loss)**
Increase 3%	$ 14,187	1,695	22,025	1,013
Decrease 3%	$ (14,187)	(1,695)	(22,025)	(1,013)

(3) Non-hedging derivative financial instruments

Derivative financial instruments are used to hedge certain foreign exchange and interest risk in which the Consolidated Company is exposed to arising from its operating, financing and investing activities. As of December 31, 2013, and December 31 and January 1, 2012, transactions that do not qualify for hedging accounting are presented as held-for-treading financial assets are as follows:

(Continued)

(i) Derivative financial assets

	December 31, 2013			December 31, 2012			January 1, 2012		
	Contract amount	Currency	Maturity date	Contract amount	Currency	Maturity date	Contract amount	Currency	Maturity date
Cross currency swaps:									
JPY	$			140,000	JPY	2013.01	40,000	JPY	2012.11
USD	32,000	USD	2014.01~2014.07	500	USD	2013.01			
CAD	8,000	CAD	2014.02~2014.03						
Forward foreign exchange contracts:									
USD				4,000	USD	2013.01			
JPY				135,000	JPY	2013.04~2013.10	100,000	JPY	2012.04
USD				3,000	USD	2013.02	13,671	USD	2012.01~2012.03
GBP							4,502	GBP	2012.04~2012.09
Foreign currency option contracts:									
Put options (buy)	5,800	EUR	2014.01~2014.03	10,550	EUR	2013.01~2013.03	9,900	EUR	2012.01~2012.04
Put options (buy)	2,600	CAD	2014.02~2014.03	1,900	CAD	2013.01~2013.03	4,800	CAD	2012.01~2012.04
Put options (buy)	2,900	GBP	2014.01~2014.03				4,800	GBP	2012.01~2012.04

(ii) Derivative financial liabilities

	December 31, 2013			December 31, 2012			January 1, 2012		
	Contract amount	Currency	Maturity date	Contract amount	Currency	Maturity date	Contract amount	Currency	Maturity date
Cross currency swaps:									
EUR	$ 7,470	EUR	2014.01~2014.02	12,640	EUR	2013.01~2013.03			
JPY							37,000	JPY	2012.02~2012.12
USD	1,500	USD	2014.01				8,000	USD	2012.01
GBP	2,500	GBP	2014.01~2014.02						
Forward foreign exchange contract:									
CAD				1,000	CAD	2013.01			
GBP				3,638	GBP	2013.05			
JPY							100,000	JPY	2012.02~2012.07
KRW	2,131,000	KRW	2014.03						

	December 31, 2013			December 31, 2012			January 1, 2012		
	Contract amount	Currency	Maturity date	Contract amount	Currency	Maturity date	Contract amount	Currency	Maturity date
Foreign currency option contracts:									
Call options (sell)	$ 9,500	EUR	2014.01~2014.03	20,200	EUR	2013.01~2013.03	18,050	EUR	2012.01~2012.04
Put options (sell)	4,200	EUR	2014.01~2014.03	1,800	EUR	2013.01~2013.03	3,500	EUR	2012.01~2012.03
Call options (sell)	5,200	CAD	2014.01~2014.03	3,800	CAD	2013.01~2013.03	8,400	CAD	2012.01~2012.04
Put options (sell)							2,400	CAD	2012.01~2012.03
Call options (sell)	5,800	GBP	2014.01~2014.03				9,600	GBP	2012.01~2012.03
Put options (sell)	1,600	GBP	2014.01~2014.02						

(c) Notes and accounts receivable and other receivables

	December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable for operating activities	$ 51,054	114,168	74,080
Accounts receivable	7,254,754	6,403,453	6,151,763
Other receivables	365,493	145,975	180,629
Less: allowance for doubtful accounts	(169,936)	(165,744)	(320,442)
allowance for returns and discounts	(399,729)	(428,873)	(433,996)
	$ 7,101,636	6,068,979	5,652,034

The Consolidated Company's aging analysis of notes, accounts receivable and other receivables that are due not impaired as of December 31, 2013, and December 31 and January 1, 2012 was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Overdue 30 days or less	$ 652,675	336,480	40,623
Overdue 31~120 days	157,921	52,196	31,886
Overdue 121~360 days	15,957	21,949	12,521
Overdue for more than one year	24,805	4,628	2,182
	$ 851,358	415,253	87,212

(Continued)

The movements in the allowance on notes, accounts receivable and other receivables in 2013 and 2012 were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2013	$ -	165,744	165,744
Impairment loss recognized	-	7,369	7,369
Others	-	(3,177)	(3,177)
Balance at December 31, 2013	$ -	169,936	169,936

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2012	$ -	320,442	320,442
Impairment loss recognized	-	4,823	4,823
Write-offs	-	(130,528)	(130,528)
Others	-	(28,993)	(28,993)
Balance at December 31, 2012	$ -	165,744	165,744

(d) Inventories

	December 31, 2013	December 31, 2012	January 1, 2012
Finished goods	$ 7,156,152	7,387,261	8,371,362
Less: provision for obsolescence and devaluation	(1,109,786)	(934,967)	(979,476)
	$ 6,046,366	6,452,294	7,391,886

The operating cost comprises of cost of goods sold, write-down (reversal gain) of inventories to net realizable value, warranty costs and other loss (gain). In 2013 and 2012, the cost of goods delivered were $21,504,029 thousand and $22,971,272 thousand, respectively. Write-down of inventories to net realizable value are recorded as cost of goods sold and increased by $154,475 thousand and decreased by $44,576 thousand. In 2013 and 2012, the warranty expenses, inventory losses from obsolescence, purchase order cancellation and others amounted to $832,188 thousand and $845,547 thousand, respectively.

As of December 31, 2013, and December 31 and January 1, 2012, no inventories are pledged as collateral.

(Continued)

(e) Investments accounted for using equity methods

Investments accounted for using equity methods was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 3,819,591	3,620,574	3,727,570

(1) Associates

(i) In 2013 and 2012, the Consolidated Company's share of the net income of associates was as follows:

	2013	2012
The Consolidated Company's share of the net income of an associates.	$ 279,922	275,486
The Consolidated Company's share of the other comprehensive income of an associates.	$ 110,427	(77,450)

The financial information of the associates are summarized as follows (before being adjusted to the Consolidated Company's proportionate share):

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$ 20,651,922	19,471,342	23,131,608
Total liabilities	$ 9,306,017	8,392,677	11,979,480

	2013	2012
Net revenue	$ 26,198,134	27,596,897
Net income	$ 827,199	686,029

(ii) The market value of publicly listed or OTC investees of the Consolidated Company accounted for under using the equity method were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
ALPHA	$ 3,777,922	3,401,878	3,784,812
BOTHHAND	329,268	300,921	306,528
	$ 4,107,190	3,702,799	4,091,340

(2) Pledges

As of December 31, 2013, and December 31 and January 1, 2012, no investment accounted for using equity methods is pledged as collateral.

(Continued)

(f) Property, plant and equipment

The cost, depreciation and impairment loss of the property, plant and equipment of the consolidated company in 2013 and 2012 are as follows:

2013

	Balance as of J	Increase	Decrease	Transfer	Others	Balance as of I
Cost:						
Land	$ 588,987	-	-	-	(1,364)	587,623
Buildings	773,873	330	10,659	2,749	(7,036)	759,257
Others	1,405,245	198,709	76,584	(33,889)	(1,420)	1,492,061
	2,768,105	199,039	87,243	(31,140)	(9,820)	2,838,941
Accumulated depreciation:						
Buildings	371,796	36,659	8,140	(718)	(1,117)	398,480
Others	1,065,880	164,747	76,886	(32,493)	(1,924)	1,119,324
	1,437,676	201,406	85,026	(33,211)	(3,041)	1,517,804
Accumulated impairment:						
Buildings	27,145	-	19,145	-	-	8,000
	$ 1,303,284	**(2,367)**	**(16,928)**	**2,071**	**(6,779)**	**1,313,137**

The Consolidated Company has revalued its property, plant and equipment on May 2013. Since the revalued amount is higher than its carrying value, the accumulated impairment loss is reversed by the value of recovery amounting to $19,145 thousand and is recognized under other gains and losses.

2012

	Balance as of J	Increase	Decrease	Transfer	Others	Balance as of I
Cost:						
Land	$ 588,584	-	-	-	403	588,987
Buildings	719,752	65,839	1,400	-	(10,318)	773,873
Others	1,342,496	133,432	41,272	(13,957)	(15,454)	1,405,245
	2,650,832	199,271	42,672	(13,957)	(25,369)	2,768,105
Accumulated depreciation:						
Buildings	317,048	56,939	1,564	-	(627)	371,796
Others	974,090	166,124	44,070	(8,775)	(21,489)	1,065,880
	1,291,138	223,063	45,634	(8,775)	(22,116)	1,437,676
Accumulated impairment:						
Buildings	27,145	-	-	-	-	27,145
	$ 1,332,549	**(23,792)**	**(2,962)**	**(5,182)**	**(3,253)**	**1,303,284**

(Continued)

As of December 31, 2013, and December 31 and January 1, 2012, no property, plant and equipment are pledged as collateral.

(g) Investment property

	2013				
	Balance as of J:	Increase	Decrease	Transfer	Balance as of
Cost:					
Land	$ 30,000	-	-	-	30,000
Buildings	22,196	-	-	-	22,196
	52,196	-	-	-	52,196
Accumulated Depreciation:					
Buildings	8,753	396	-	-	9,149
Accumulated impairment:					
Buildings	19,000	-	18,000	-	1,000
	$ 24,443	**(396)**	**(18,000)**	**-**	**42,047**

The Consolidated Company has revalued its property, plant and equipment on May 2013. Since the revalued amount is higher than it carrying value, the accumulated impairment loss is reversed by the value of recovery amounting to 18,000 thousand and is recognized under other gains and losses

	2012				
	Balance as of J:	Increase	Decrease	Transfer	Balance as of
Cost:					
Land	$ 30,000	-	-	-	30,000
Buildings	22,196	-	-	-	22,196
	52,196	-	-	-	52,196
Accumulated Depreciation:					
Buildings	8,356	397	-	-	8,753
Accumulated impairment:					
Buildings	19,000	-	-	-	19,000
	$ 24,840	**(397)**	**-**	**-**	**24,443**

	December 31, 2013	December 31, 2012	January 1, 2012
Book value	$ 42,047	24,443	24,840
Fair value	$ 42,886	44,773	47,529

Investment properties are commercial properties that are leased to third parties. The lease contract includes an initial non-cancellable period of 3 years. Subsequent renewals are negotiated with the lessee and no contingent rents are charged. For further information (including the rental income and direct operating expenses), please refers to note 6(s).

The fair value of investment property as of December 31, 2013, and December 31 and January 1, 2012 is based on the comparable transaction information similar to investment property, both in location and category.

As of December 31, 2013, and December 31 and January 1, 2012, no investment property is pledged as collateral.

(h) Intangible assets

The cost amortization of the intangible assets of the consolidated company are as follows:

2013

	Balance as of January 1, 2013	Increase	Decrease	Amortization	Others	Balance as of D
Goodwill	$ 243,813	-	-	-	5,777	249,590
Trademark	139,588	-	-	-	3,900	143,488
Distribution channel	19,460	-	-	(13,247)	462	6,675
Patents	39,252	-	-	(2,692)	-	36,560
Computer software cost	10,644	21,564	-	(11,223)	-	20,985
Other intangible assets	9,800	7,615	(217)	(6,146)	(1,256)	9,796
	$ 462,557	29,179	(217)	(33,308)	8,883	467,094

2012

	Balance as of January 1, 2012	Increase	Decrease	Amortization	Others	Balance as of D
Goodwill	$ 245,510	5,948	-	-	(7,645)	243,813
Trademark	145,116	-	-	-	(5,528)	139,588
Distribution channel	33,710	-	-	(13,183)	(1,067)	19,460
Patents	41,943	-	-	(2,691)	-	39,252
Computer software cost	14,744	6,543	-	(10,643)	-	10,644
Other intangible assets	5,585	7,336	(527)	(8,345)	5,751	9,800
	$ 486,608	19,827	(527)	(34,862)	(8,489)	462,557

(Continued)

(i) Long-term and short-term loans

The details requirements and articles of the long-term and short-term loans of the consolidated company are as follows:

(1) Short-term Loans

	Currency	Interest rate	Maturity year	December 31, 2013	December 31, 2012	January 1, 2012
Secured bank loans	TWD	-	-	$ -	-	81,673
Unsecured bank loans				-	-	58,202
Total				$ -	-	139,875
Unused credit facilities				$ 3,790,771	4,425,096	6,441,365

(2) Long-term Loans

	Currency	Interest rate	Maturity year	December 31, 2013	December 31, 2012	January 1, 2012
Bank of Taiwan	TWD	1.633	2015	$ 199,000	250,000	-
Chinatrust Commercial Bank	TWD	1.60~1.6015	2015	-	360,000	-
Chinatrust Commercial Bank	USD	1.3620	2015	269,550	-	-
Mega Inernational Commercial Bank	TWD	1.6924	2015	-	80,000	-
First Commercial Bank	TWD	1.561~1.652	2015	300,000	100,000	-
Hong Kong and Shanghai Banking Corporation	TWD	1.14	2014	-	280,000	-
Hong Kong and Shanghai Banking Corporation	USD	0.95	2014	119,800	-	-
				888,350	1,070,000	-
Less: Due within one year	USD	0.95	2014	(119,800)	-	-
Total				$ 768,550	1,070,000	-
Unused credit facilities				$ 1,411,150	1,221,360	-

(j) Provisions

	2013						
	Balance as of	Increase	Used	Reversed	Reclassification	Effect of exchange	Balance as of I
Warranties	$ 160,696	8,696	(10,260)	-	61,174	1,671	221,977
Sales return and allowances	47,427	-	-	(443)	-	117	47,101
Legal proceedings	247,656	-	(22,463)	(156,394)	-	3,081	71,880
	$ 455,779	8,696	(32,723)	(156,837)	61,174	4,869	340,958

(Continued)

				2012			
	Balance as of	Increase	Used	Reversed	Reclassification	Effect of exchange	Balance as of I
Warrenties	$ 137,027	21,301	(9,938)	-	16,098	(3,792)	160,696
Sales return and allowances	48,172	629	-	-	-	(1,374)	47,427
Legal proceedings	246,518	10,644	-	-	-	(9,506)	247,656
	$ 431,717	32,574	(9,938)	-	16,098	(14,672)	455,779

(k) Bonds payable

	December 31, 2013	December 31, 2012	January 1, 2012
Convertible corporate bonds	$ 2,000,000	2,000,000	2,000,000
Less: discount and unamortized issuance cost	(1,998)	(3,900)	(100,974)
Cumulative redeemed amount	(1,885,700)	(1,885,700)	-
Balance of bonds payable	$ 112,302	110,400	1,899,026
Embedded derivative－call and put options:			
Financial assets at fair value through profit or loss	$ -	8	-
Financial liabilities at fair value through profit or loss	$ -	-	81,520
Equity components:			
Conversion options, included in capital surplus－stock options	$ 4,655	4,655	81,454
Expiry of conversion options, included in capital surplus－others	$ 76,799	76,799	-

	2013	2012
Embedded derivative－gains (losses) in call and put options measured at fair value, included in other gains and losses	$ 8	(1,579)
Interest expense	$ 1,902	2,858
Loss on convertible corporate bonds redeemed	$ -	94,216

On January 12, 2010, the Company issued unsecured convertible corporate bonds of $2,000,000 thousand. The coupon rate is zero, and the bonds will mature after 5 years. The bonds started to trade on January 13, 2010. As of the reporting date, no convertible corporate bonds had been converted into common shares.

(Continued)

The issue terms for the unsecured convertible corporate bonds were as follows:

(1) Total issuance amount

The upper limit of the total principal amount of the bonds is two billion dollars. The par value of the bonds is one hundred thousand dollars, and they are issued at 100% of par.

(2) Duration

January 12, 2010, to January 12, 2015.

(3) Coupon rate for the bonds is zero.

(4) Conversion period

The convertible corporate bonds may be converted into common shares of the Company on or after February 13, 2010, and prior to January 2, 2015.

(5) Conversion price and adjustment

The conversion price is calculated by using the simple average closing price of the Company's common shares based on either one, three or five consecutive business days before the effective date of January 5, 2010, multiplied by 111.66% of the conversion premium rate. The conversion price is calculated based on the closing price (after considering the effect of ex-rights or ex-dividend) of the shares. The conversion price on the issue date was $37.5. Also, it was adjusted to $30.5 and $32.3 per share based on the ex-dividend date on July 27, 2013 and July 28, 2012 because of the distribution of cash dividends in 2013 and 2012, respectively.

(6) Early redemption option

From February 13, 2010 (1 month after the issuance date) to December 3, 2014 (forty days before the maturity date), if (i) the closing price of the Company's common shares on the TSE for a period of 30 consecutive trading days before redemption has been at least 30% of the conversion price in effect on each such trading day, or (ii) at least 90% of the principal amount of the bonds originally outstanding has been redeemed, repurchased or converted, the Company may redeem all bonds for cash at face value.

(7) Put options

Bondholders may exercise the put option and request the Company to redeem the bonds at 100% of par value two years after issuance with a redemption date of January 12, 2012. Upon request, the Company shall redeem the bonds for cash within five trading days after the redemption date.

The redemption date that the bondholders may exercise the put option and request the Company to redeem the bonds has expired. As of the redemption date on January 12, 2012, the Company redeemed 18,857 units of the convertible bonds with a total par value of $1,885,700 thousand and the rest of 1,143 units were not redeemed.

(Continued)

As the market value of the common stock converted at the redemption date is less than the par value of the redeemed units of the convertible bonds, the Consolidated Company shall recognize gain on valuation of financial liabilities which amounted to $79,949 thousand, based on the fair value of the put options liabilities at the redemption date. Those conversion rights of redeemed units shall be considered as expired, and the originally recognized capital surplus – stock options from convertible corporate bonds amounting to $76,799 thousand based on the put portion shall be transferred to capital surplus – others. The difference between the price for cash redemption and the par value of the convertible bonds, $94,216 thousand, shall be recognized as other loss.

(l) Operating leases

(1) Leases – Lessee

Non-cancellable operating lease rentals are payable as follows:

		December 31, 2013	December 31, 2012	January 1, 2012
Within one year	$	162,662	215,708	299,715
One to five years		419,885	381,775	462,106
Over five years		2,004	218,591	283,397
	$	584,551	816,074	1,045,218

The operating leases recognized in profit or loss in 2013 and 2012 amounting to $349,005 thousand and $383,273 thousand, respectively.

(2) Leases – Lessor

For information on investment property leased under operating leases, please refers to note 6(g).

Rental income general from investment property in 2013 and 2012 amounting to $2,576 thousand and $3,522 thousand, respectively.

(m) Employee benefits

(1) The reconciliation of the present value of the defined benefit obligations and fair value of plan assets are as follows:

		December 31, 2013	December 31, 2012	January 1, 2012
Present value of unfunded benefit obligations	$	22,844	23,983	164
Present value of funded benefit obligations		136,980	139,743	141,676
Total present value of benefit obligations		159,824	163,726	141,840
Fair value of plan assets		(136,980)	(139,743)	(141,676)
Deficit in the plan	$	22,844	23,983	164

Based on the Company's pension plan, each employee earns two months of salary for the first fifteen years of service, and one month of salary for each year of service thereafter. The maximum retirement benefit is forty-five months of salary. Payments of retirement benefits are based on the years of service and the average salaries for six months before the employee's retirement.

(i) Composition of plan

The Company's allocates 2% of each employee's monthly wage to the labor pension personal account at Bank of Taiwan in accordance with the provisions of Labor Pension Act, whereby, the labor pension personal account will make pension payment in advance.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $138,201 thousand at the date of reporting date. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

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

		2013	2012
Defined benefit obligation at January 1	$	163,726	141,840
Benefits paid by the plan		(8,705)	(7,359)
Current service cost and interest		5,095	4,568
Actuarial (gain) loss on obligation		(292)	24,677
Defined benefit obligation at December 31	**$**	**159,824**	**163,726**

(iii) Movements in the fair value of the plan assets

The movements in the present value of the plan assets in the years 2013 and 2012 were as follows:

		2013	2012
Fair value of plan assets at January 1	$	139,743	141,676
Contributions made		4,151	4,069
Benefits paid by the plan		(8,705)	(7,359)
Expected return on plan assets		2,455	2,864
Actuarial loss on plan assets		(664)	(1,507)
Fair value of plan assets at December 31	**$**	**136,980**	**139,743**

(Continued)

(iv) Expenses recognized in profit or loss

The Company's expenses recognized in profit or loss for the years 2013 and 2012 were as follow:

		2013	2012
Current service cost	$	2,272	1,771
Interest cost on the defined benefit obligation		2,823	2,797
Expected return on plan assets		(2,455)	(2,864)
	$	2,640	1,704
Actuarial return on plan assets	$	1,791	1,357

The Company's paid retirement expenses for the year ended December 31, 2013 and 2012, were $0 and $3,596 thousand, respectively.

(v) Actuarial gains and losses recognized in other comprehensive income

The Company's actuarial gains and losses recognized in other comprehensive income for the year ended December 31, 2013 and 2012, were as follows:

		2013	2012
Balance as of January 1	$	26,184	-
Recognized		372	26,184
Balance as of December 31	$	26,556	26,184

(vi) Actuarial assumptions

The following are the principal actuarial assumptions (expressed as weighted averages):

	2013.12.31	2012.12.31
Discount rate	2.00%	1.75%
Expected return on plan assets	2.00%	1.75%
Future salary increases	3.00%	3.00%

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

(vii) Experience adjustments based on historical information

		December 31, 2013	December 31, 2012	January 1, 2012
Present value of the defined benefit obligation	$	159,824	163,726	141,840
Fair value of plan assets		(136,980)	(139,743)	(141,676)
Defined benefit obligation	$	22,844	23,983	164
Experience adjustments on plan liabilities	$	5,462	14,498	-
Experience adjustments on plan assets	$	(664)	(1,507)	-

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date is $8,044 thousand.

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

As of December 31, 2013, the carrying value of the accrued pension liabilities was $22,844 thousand. If the discount rate had increased or decreased by 0.25%, the accrued pension liabilities would have decreased by $5,472 thousand or increased by $5,754 thousand, respectively. If the salary increase rate had increased or decreased by 0.25%, the accrued pension liabilities would have increased $5,595 thousand and decreased $5,527 thousand, respectively.

(2) Defined contribution plans

The Company set aside 6% of the contribution rate of the employee's monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to the Bureau of the Labor Insurance without the payment of additional legal or constructive obligations.

YEOCHA, YEOMAO, YEOTAI, D-Link Holding and other holding companies have not recognized any pension expenses. DCN contributes retirement annuity funds based on the statutory rate on employees payroll, and the pension expenses were recognized in profit and loss for the year. D-Link Europe and other subsidiaries of the Consolidated Company adopt pension plans in accordance with the local authorities and recognize pension expenses based on the contributions of the year.

The amount of the Company's pension expenses that were contributed to Bureau of Labor Insurance, Ministry of Labor, under defined contribution pension plan in 2013 and 2012 were as follows:

		2013	2012
Operating cost	$	9,443	8,760
Operating expense	$	130,019	124,111

(n) Income Taxes

Income tax expenses for the years ended December 31, 2013 and 2012, are summarized as follows:

		2013	2012
Current income tax expense	$	128,578	264,161
Deferred income tax expense		(58,607)	28,883
	$	69,971	293,044

The amount of income tax recognized in other comprehensive income was as follows:

		2013	2012
Exchange differences arising on translation of foreign operations	$	16,849	(81,154)

Reconciliation of income tax and profit before tax is as follows:

		2013	2012
Income before income tax	$	746,251	1,104,102
Income tax using the Company's domestic tax rate	$	126,863	187,697
Effect of tax rate in foreign jurisdiction		123,341	76,986
Non-taxable income		(115,845)	(78,296)
Unrecognized temporary differences		(21,330)	6,355
Recognition of previously unrecognized tax losses		(77,558)	(38,442)
Investment tax credits		54,174	(11,713)
Differences of basic income tax and general tax		(8,384)	(16,425)
Reporting differences on prior years and others		(11,290)	166,882
	$	69,971	293,044

(1) Unrecognized deferred income tax assets

The unrecognized deferred income tax assets are as follows:

		December 31, 2013	December 31, 2012	January 1, 2012
Unrealized expenses	$	93,015	42,101	41,908
Provisions		14,772	12,471	10,679
Impairment		18,206	20,228	16,454
Investment tax credits		6,400	43,822	97,452
Operating loss carryforward		212,938	296,954	223,151
Write-down of inventories to net realizable value		36,075	35,522	61,605
Others		17,354	44,948	27,014
	$	398,760	496,046	478,263

(Continued)

(2) Recognized deferred tax assets and liabilities

The movements in the amount of deferred tax assets and liabilities for the years 2013 and 2012 were as follows:

		Intra-group transactions	Investments under the equity method	Others	Total
Deferred income tax liabilities:					
Balance at January 1, 2013	$	87,030	648,824	(1,407)	734,447
Recognized in profit or loss		(57,064)	(24,337)	1,783	(79,618)
Balance at December 31, 2013	$	29,966	624,487	376	654,829
Balance at January 1, 2012	$	94,110	609,528	8,556	712,194
Recognized in profit or loss		(7,080)	39,296	(9,963)	22,253
Balance at December 31, 2012	$	87,030	648,824	(1,407)	734,447

		Intra-group transactions	Foreign currency translation reserve	Unrealized expenses	Write down of inventory	Bad debts	Others	Total
Deferred income tax assets:								
Balance at January 1, 2013	$	215,715	129,326	120,966	66,831	40,502	131,670	705,010
Recognized in income statement		(11,469)	-	(6,429)	18,269	17,424	(38,806)	(21,011)
Foreign currency translation reserve		-	(16,849)	-	-	-	-	(16,849)
Balance at December 31, 2013	$	204,246	112,477	114,537	85,100	57,926	92,864	667,150
Balance at January 1, 2012	$	218,765	48,172	125,916	44,787	42,080	150,766	630,486
Recognized in income statement		(3,267)	-	(4,950)	22,044	(1,578)	(18,879)	(6,630)
Foreign currency translation reserve		-	81,154	-	-	-	-	81,154
Balance at December 31, 2012	$	215,498	129,326	120,966	66,831	40,502	131,887	705,010

The Consolidated Company's unused investment tax credits mainly resulted from research and development, personnel training and investment in newly emerging, important and strategic industries. As of December 31, 2013, the Consolidated Company's ending balance of unused investment tax credits and the year of expiry were as follows:

Item of investments tax credits	Unused investment tax credits	Expiry year
Investment in newly emerging, important and strategic industries (reported)	$ 16,000	2014

In accordance with the laws of each registered country, the assessed losses can be used to offset current-year net income. In addition, pursuant to the ROC Income Tax Act, net loss of YEOCHIA and YEOTAI as assessed by the tax authorities can be carried forward for ten consecutive years to reduce future taxable income. As of December 31, 2013, the Consolidated Company's unused loss carryforward available to offset future taxable income and the year of expiry were as follows:

Consolidated entity	Year of loss	Year of expiry	Unused amount
YEOTAI	2004	2014	$ 12,277
YEOCHIA	2006	2016	152,262
YEOTAI	2008	2018	3,507
YEOTAI	2010	2020	15,071
YEOTAI	2011	2021	2,039
D-Link Europe	2003	Unlimited	290,567
D-Link Japan	2008~2011	2018~2021	107,651
DCN	2009	2014	94,633
DCN	2011~2013	2016~2018	311,405
			$ 989,412

The ROC income tax authorities had examined the income tax returns of the Company through 2008 and 2011. The income tax returns of YEOCHIA, YEOMAO, and YEOTAI have been examined through 2011. Some of the foreign subsidiaries had disputes regarding income tax returns with the local tax authorities, and they planned to file an administrative litigation.

Information on the integrated tax system of the Company is summarized as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated retained earning after January 1, 1998	$ 3,148,588	3,558,971	3,805,596
Imputation credit account balance	$ 411,724	490,291	528,219

The unappropriated retained earning as mentioned above includes comparative information of each period which are in accordance with Regulation Governing the Preparation of Financial Reports by Securities Issuers and IFRS endorsed by the FSC.

	2013 (estimated)	2012 (actual)
Creditable ratio for earnings distribution to resident stockholders	14.51%	14.99%

The abovementioned, information was prepared in accordance with the information letter No. 10204562810 announced by Ministry of Finance of R.O.C. on October 17, 2013.

(o) Share capital and other equity

(1) Common stock

Pursuant to the board of shareholders' resolution on June 14, 2013, the Company distributed stockholders' bonuses of $608,773 thousand, and the ex-dividend date was July 27, 2013.

Pursuant to the board of shareholders' resolution on June 22, 2012, the Company distributed stockholders' bonuses of $699,138 thousand, and the ex-dividend date was July 28, 2012.

As of December 31, 2013 and 2012, the authorized capital amounted to $8,800,000 thousand (including $750,000 thousand authorized for the issuance of the employee stock options). As of December 31, 2013 and 2012, the issued capital amounted to $$6,475,803 thousand. The par value of the Company's common stock is $10 New Taiwan dollars per share.

(2) Capital surplus

The balances of capital surplus were as follows:

		December 31, 2013	December 31, 2012	January 1, 2012
Common stock in excess of par value	$	1,924,012	1,924,012	1,924,012
Share of changes in equities of associates accounted for under the equity method		8,210	-	-
Share-based payment transactions		92,585	124,171	111,940
Expiry of share-based payment transactions		36,874	-	-
Stock options from convertible corporate bonds		4,655	4,655	81,454
Expiry of redeemed options of convertible corporate bonds		76,799	76,799	-
Total	**$**	**2,143,135**	**2,129,637**	**2,117,406**

According to the ROC Company Act amended in January 2012, the reserve may be used to offset a deficit, or distribute as cash or stocks by the original ownership percentage if there is no accumulated deficit. Capital surplus included the income was derived from the issuance of new shares at a premium and income from the endowments received by the company. According to the current Securities and Futures Bureau regulations, capitalization of capital surplus cannot exceed a rate of ten percent.

(Continued)

(3) Retained earnings

In accordance with the Company's articles of incorporation, if there are earnings at year-end, 10 percent should be set aside as legal reserve and special earnings reserve or reversal in accordance with the Securities and Exchange Act after the payment of income tax and offsetting accumulated losses from prior years. If there is a balance remaining, 1 percent can be set aside for directors' and supervisors' remuneration, and 1 to 15 percent can be set aside for employees' bonuses. The recipients of the distributions may include the employees of the Company's affiliated companies. The remaining portion will be combined with earnings from prior years, and the board of directors can propose methods of distribution to be approved by the shareholders' meeting. Dividends distributed to shareholders should not be less than 30 percent of the distributable earnings for the current year.

In order to adjust to the overall business environment, industry growth characteristics, long-term financial planning, and corporate sustainable management, the Company adopts a residual dividend policy. The Company will distribute capital in excess of its required capital as cash dividends, which cannot be lower than 10 percent of total dividends.

(i) Legal reserve

According to the ROC Company Act, the Company must retain 10% of its annual income as a legal reserve until such retention equals the amount of authorized common stock. According to the ROC Company Act amended in January, 2012, when the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash based on the resolution of the shareholders' meeting if there is no accumulated deficit.

(ii) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory commission on 6 April, 2012, a special reserve equivalent to the net debit balance of shareholders' equity shall be made from the current after-tax net income and the prior unappropriated earnings pursuant to existing regulations promulgated by SFB. The Company shall not distribute the special reserve equivalent to the net debit balance of shareholders' equity from the prior fiscal years made from the prior unappropriated earnings. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses. The Company's shareholders meetings on June 14, 2013, and June 22, 2012 approved to set aside and to reverse the legal reserve amounting $420,104 thousand and $157,439 thousand, respectively.

(iii) Earning distribution

In 2013 and 2012, the Company estimated it would distribute $7,454 and $2,810, as employees' bonuses, respectively, and $7,454 and $2,810, as directors' and supervisors' remuneration respectively, base on profits after tax in 2013 and 2012, and earning distribution methods, sequence and distribution ratio of employee bonuses and directors' and supervisors' remuneration set out in the Company Act. The employees' bonuses and directors' and supervisors' remuneration for the years 2013 and 2012 were recorded as operating expenses. The number of shares distributed as stock dividends is calculated based on the closing price of the shares the day before the shareholders' meeting while taking into consideration the ex-rights and ex-dividend effects. If the amount actually

(Continued)

distributed based on the resolution of the shareholders' meeting differs from the estimated amount, the difference will be treated as a change in accounting estimates and recorded as income/loss in 2014 and 2013.

The Company's shareholders meetings on June 14, 2013, and June 22, 2012, resolved to distribute earnings as employees' bonuses and directors' and supervisors' remuneration for 2012 and 2011 as follows:

		2012	2011
Employees' bonuses – cash	$	2,810	71,580
Directors' and supervisors' remuneration		2,810	7,158
	$	5,620	78,738

The above distribution of 2012 and 2011 earnings was approved by the board of directors, and the amount was consistent with recorded expenses. For information as related to earning distribution, please refer to the website of the Market Observation Post System.

(4) Treasury stock

Under Article 28-2 of the Securities and Exchange Act, the Company's board of directors passed a resolution on January 14, 2013, June 22, and October 30, 2012 and March 23, 2011 to buy back its shares from the open market and to transfer the shares to its employees.

Details of the treasury stock change in 2013 and 2012 are summarized as follow:

	2013 Shares (in thousands)	2013 Amount	2012 Shares (in thousands)	2012 Amount
Beginning balance	23,807	$ 530,547	12,000	323,798
increased	15,000	277,413	11,807	206,749
Ending balance	38,807	$ 807,960	23,807	530,547

In addition, the Company should not pledge its treasury shares nor exercise voting rights before transferring to employees.

Based on the Securities and Exchange Act, the number of repurchased shares should not exceed 10% of the Company's issued and outstanding shares, and the total purchase amount should not exceed the sum of the retained earnings, additional paid-in capital in excess of par, and paid-in capital.

Shares of treasury stocks that bought back shall be transferred to employees in 3 years since the repurchase date or they shall be otherwise retired as if the Company has never issued. The Company excluded special reserve and appropriated earnings agreed by the board of directors before the approval of repurchase treasury stock to calculate the ceiling of the repurchase based on the December 31, 2013 Independent Auditors' Report. The ceiling on total number of shares of the repurchase is 64,758 thousand shares and the ceiling on total monetary amount of the repurchase is $7,298,184, thousand.

(Continued)

(5) Other equity

		Foreign exchange differences arising from foreign operations	Unrealized gains and losses on available-for-sale financial assets
Balance at January 1, 2013	$	(577,998)	(174,587)
Foreign exchange differences (net of taxes):			
The Consolidated Company		82,055	-
Associates		58,641	-
Unrealized gains and losses from available-for-sale financial assets			
The Consolidated Company		-	(39,610)
Associates		-	(311)
Balance at December 31, 2013	$	(437,302)	(214,508)
Balance at January 1, 2012	$	(144,938)	(227,213)
Foreign exchange differences (net of taxes):			
The Consolidated Company		(396,200)	-
Associates		(36,860)	-
Unrealized gains and losses from available-for-sale financial assets			
The Consolidated Company		-	57,242
Associates		-	(4,616)
Balance at December 31, 2012	$	(577,998)	(174,587)

(p) Employee stock options

(1) The Company was granted approval by the Securities and Futures Bureau on December 26, 2007, to issue 20,000 units of employee stock options, with each unit having the option to purchase 1,000 shares. The exercising of the options will be settled through the issuance of new shares. The options are granted to the selected employees of the Company and companies in which the Company has over 50% of total voting shares either directly or indirectly. The stock options have a contractual life of 6 years and may not be transferred, pledged, or bestowed on others except through inheritance. Option holders may exercise the options 2 years after the date of being granted and subscribe the common shares of the Company in accordance with the following schedule.

Period following granting of options	Percentage exercisable
2 Years	40%
3 Years	60%
4 Years	80%
5 Years	100%

(Continued)

(2) The board of directors' meeting on September 15, 2009, resolved to issue 30,000 units of employee stock options, with each unit having the option to purchase 1,000 shares. The exercising of the options will be settled through the issuance of new shares. The options are granted to selected employees of the Company and companies in which the Company has over 50% of total voting shares either directly or indirectly. The stock options have a contractual life of 5 years and may not be transferred, pledged, or bestowed on others except through inheritance. Option holders may exercise the options 2 years after the date of grant and subscribe the common shares of the Company in accordance with the following schedule.

Period following granting of options	Percentage exercisable
2 Years	50%
3 Years	75%
4 Years	100%

The Company replaced its employee stock options with a continuing service bonuses program approved by the Chairman on October 3, 2011. The agreement period is from October 5, 2011 to October 4, 2013. Each unit of employee stock options converts into a $5 bonus. The bonuses are paid separately at the percentage of 40%, 30%, and 30% on October each year from 2011 to 2013. The bonus agreement covers the originally issued 18,871 units of employee stock options with 990 and 2,381 lapsed units in 2013 and 2012, the remaining units have been paid on October, 2013. Since there is no incremental fair value for the replacement, the Company recognizes compensation cost based on its fair value of the original grant date.

(3) Information on employee stock options as of December 31, 2013 and 2012 are as follows:

2013

Approval date	Issuance date	Units issued	Effective Period	Exercise restricted period	Original exercise price ($)	Adjusted exercise price ($)
2007.12.26	2007.12.28	20,000	2007.12.28~ 2013.12.27	2007.12.28~ 2009.12.27	$ 56.60	47.47
2009.8.31	2009.10.5	30,000	2009.10.5~ 2014.10.4	2009.10.5~ 2011.10.4	28.45	24.49

2012

Approval date	Issuance date	Units issued	Effective Period	Exercise restricted period	Original exercise price ($)	Adjusted exercise price ($)
2007.12.26	2007.12.28	20,000	2007.12.28~ 2013.12.27	2007.12.28~ 2009.12.27	$ 56.60	47.47
2009.8.31	2009.10.5	30,000	2009.10.5~ 2014.10.4	2009.10.5~ 2011.10.4	28.45	24.49

In 2013, the Company declared a cash dividend and adjusted the exercise price under the employee stock option plan 1 and 2 to $44.90 and $23.15, respectively on July 27, 2013 of the ex-dividend date.

(Continued)

(4) Information about recognition of compensation cost for employee stock options was as follows:

(i) The Company elected to take the optional exemption by applying IFRS 2 retrospectively for the shared-based payment transactions granted and vested in 2007. However, for the shared-based payment transaction granted and non-vested in 2007, the Company applied them retrospectively at the date of transition to recognize the previous compensation cost measured by fair value of the equity instruments at the granted date.

(ii) Information about recognition of compensation cost in 2013 and 2012 were as follows:

	2013	2012
Compensation cost arising from employee stock options	$ 5,288	12,231
Premium arising from continuing service plan	5,677	10,529
	$ 10,965	22,760

	December 31, 2013	December 31, 2012
The balance of capital surplus for equity-settled employee stock option plan:		
Capital surplus – employee stock option	$ 129,459	124,171
The balance of liability for continuing service plan	$ -	13,568

(5) A summary of the Company's employee stock option plans and related information for the years ended December 31, 2013 and 2012 are as follows:

(i) Employee stock option plan 1:

	2013		2012	
	Options	Weighted-average exercise price (NTD)	Options	Weighted-average exercise price (NTD)
Outstanding at beginning of period	20,000	$ 44.90	20,000	47.47
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(20,000)	(44.90)	-	-
Outstanding at end of year	-	-	20,000	47.47

(Continued)

(ii) Employee stock option plan 2:

	2013		2012	
	Options	Weighted-average exercise price (NTD)	Options	Weighted-average exercise price (NTD)
Outstanding at beginning of period	605$	23.15	2,390	24.49
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(50)	-	(1,785)	-
Outstanding at end of year	555	23.15	605	24.49

(6) Assumptions were as follows:

(i) If the Company used the fair value method to recognize compensation cost of employee stock option plan 1 and used the Black-Scholes pricing model to estimate the fair value of the stock options on the date they were granted, the pro forma net income and EPS, and the assumptions used would be as follows:

Assumptions	Expected price volatility	30.89%
	Risk-free rate	2.725%
	Expected time to expiration (years)	6
	Fair value per share	13.1

(7) The Company utilized the Black-Scholes pricing model to value employee stock option plan 2, and the fair value of the options and main inputs to the pricing model were as follows:

Assumptions	Expected price volatility	40.30%
	Risk-free rate	1.165%
	Expected time to expiration (years)	5
	Fair value per share	10.4

(q) Earnings per share

The calculation of basic earnings per share and diluted earnings per share of the Consolidated Company in 2013 and 2012 were as follows:

(1) Basic earnings per ordinary share

	2013	2012
Profit attributable to owners of the parent	$ 647,609	786,135

	2013	2012
Outstanding at the ordinary share at 1 January	623,773	635,580
Weighted-average share of treasury stock purchases	(13,195)	(1,788)
Weighted-average ordinary shares outstanding at 31 December	610,578	633,792
Basic earnings per ordinary share (New Taiwan dollars)	$ 1.06	1.24

(2) Diluted earnings per share

	2013	2012
Profit attributable to owners of the parent	$ 647,609	786,135
Interest expense on convertible, net of tax	1,585	1,619
Net income	$ 649,194	787,754

	2013	2012
Weighted-average ordinary shares outstanding (basic)	610,578	633,792
Effects of convertible corporate bonds	3,748	3,431
Employee's bonus that may issue by stocks but have not authorized by the shareholders' meeting	572	2,027
Weighted-average number of shares's outstanding at December 31 (diluted)	614,898	639,250
Diluted earnings per share (New Taiwan dollars)	$ 1.06	1.23

The employee stock options that are considered as anti-dilutive and are excluded from weighted-average ordinary shares outstanding (dilutive) as of December 31, 2013 and 2012 were 555 and 605, respectively.

In calculating the effects of all dilutive potential ordinary shares, the average market value is based on the quoted market price during the outstanding periods.

(r) Revenue

The operating income of the Consolidated Company in 2013 and 2012 is as follows:

	2013	2012
Goods sold	$ 30,444,084	32,308,184
Services	114,390	158,766
	$ 30,558,474	32,466,950

(s) Other income

The details of other income of the Consolidated Company in 2013 and 2012 were as follows:

		2013	2012
Interest revenue	$	42,275	57,892
Rental revenue		2,576	3,522
Dividends revenue		33,913	13,999
Royalty revenue		682	26,488
Others		51,078	121,959
	$	**130,524**	**223,860**

(t) Other gains and losses

The details of other gains and losses of the Consolidated Company in 2013 and 2012 were as follows:

		2013	2012
Valuation gains from financial assets and liabilities	$	12,332	49,102
Gain on disposal of investments		164,202	59,636
Exchange gain or losses		(157,097)	8,961
Loss on redemption of convertible bonds payable		-	(94,216)
Impairment loss on financial assets		(24,200)	(22,200)
Reversal of impairment loss arising from property, plant and equipment, and investment property		37,145	-
Others		(32,356)	(41,565)
	$	**26**	**(40,282)**

(u) Financial costs

The details of financial costs of the Consolidated Company in 2013 and 2012 were as follows:

		2013	2012
Interest expense	$	39,407	25,847
Others		23,087	12,173
	$	**62,494**	**38,020**

(v) Financial instrument

(1) Credit risk

(i) Exposure to credit risk:

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2013, and December 31 and January 1, 2012, the maximum amount exposed to credit risk amounted to $7,501,365 thousand, $6,497,852 thousand, and $6,086,030 thousand, respectively.

(Continued)

(2) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Book value	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
December 31, 2013							
Non-derivative financial liabilities							
Long-term loans	$ 768,550	768,550	-	-	768,550	-	-
Bonds payable	112,302	112,302	-	-	112,302	-	-
Accounts payable	2,563,256	2,563,256	2,563,256	-	-	-	-
Accounts payable to related parties	3,390,235	3,390,235	3,390,235	-	-	-	-
Other payables	1,750,070	1,750,070	1,750,070	-	-	-	-
Current portion of long-term liabilities	119,800	119,800	-	119,800	-	-	-
Derivative financial liabilities							
Forward exchange contracts used for hedging:							
Outflow	326	60,734	60,734	-	-	-	-
Inflow	-	59,900	59,900	-	-	-	-
Foreign exchange swap contracts used for hedging:							
Outflow	6,354	476,324	476,324	-	-	-	-
Inflow	-	470,455	470,455	-	-	-	-
Option contracts used for hedging:							
Outflow	8,437	678,455	678,455	-	-	-	-
Inflow	-	671,479	671,479	-	-	-	-
	$ 8,719,330	11,121,560	10,120,908	119,800	880,852	-	-
December 31, 2012							
Non-derivative financial liabilities							
Long-term loans	$ 1,070,000	1,070,000	-	-	-	1,070,000	-
Bonds payable	110,400	110,400	-	-	110,400	-	-
Notes payable	1,515	1,515	1,515	-	-	-	-
Accounts payable	2,293,446	2,293,446	2,293,446	-	-	-	-
Accounts payable to related parties	3,171,436	3,171,436	3,171,436	-	-	-	-
Other payables	1,799,000	1,799,000	1,799,000	-	-	-	-
Derivative financial liabilities							
Forward exchange contracts used for hedging:							
Outflow	4,752	201,326	201,326	-	-	-	-
Inflow	-	195,160	195,160	-	-	-	-

(Continued)

	Book value	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
Foreign exchange swap contracts used for hedging:							
Outflow	$ 13,311	486,819	486,819	-	-	-	-
Inflow	-	474,356	474,356	-	-	-	-
Option contracts used for hedging:							
Outflow	8,477	889,540	889,540	-	-	-	-
Inflow	-	884,304	884,304	-	-	-	-
	$ 8,472,337	11,577,302	10,396,902	-	110,400	1,070,000	-
January 1, 2012							
Non-derivative financial liabilities							
Long-term loans	$ 139,875	139,875	139,875	-	-	-	-
Notes payable	11,070	11,070	11,070	-	-	-	-
Accounts payable	2,118,070	2,118,070	2,118,070	-	-	-	-
Accounts payable to related parties	4,456,072	4,456,072	4,456,072	-	-	-	-
Other payables	1,812,009	1,812,009	1,812,009	-	-	-	-
Financial liabilities at fair value through profit or loss - current:	81,520	81,520	-	81,520	-	-	-
Derivative financial liabilities							
Forward exchange contracts used for hedging:							
Outflow	1,134	39,370	39,370	-	-	-	-
Inflow	-	38,000	38,000	-	-	-	-
Foreign exchange swap contracts used for hedging:							
Outflow	5,712	387,741	387,741	-	-	-	-
Inflow	-	381,531	381,531	-	-	-	-
Option contracts used for hedging:							
Outflow	4,506	215,495	1,409,266	-	-	-	-
Inflow	-	223,891	1,394,035	-	-	-	-
	$ 8,629,968	9,904,644	12,187,039	81,520	-	-	-

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

(Continued)

(3) Currency risk

(i) The Consolidated Company's significant exposure to foreign currency risk was as follows:

		2013			2012		
		Fore currency	Exchange rate	NTD	Forei currency	Exchange rate	NTD
Financial assets (note):							
Monetary items:							
CLP	$	349,389	0.06	19,966	495,111	0.06	30,086
JPY		1,456,837	0.28	414,615	590,121	0.34	198,281
CAD		12,545	28.21	353,905	14,999	29.36	440,325
USD		241,639	29.95	7,237,087	266,336	29.14	7,759,960
MXN		24,426	2.29	55,993	19,987	2.25	44,914
BRL		106,151	12.78	1,357,132	58,746	14.26	837,592
AUD		10,275	26.68	274,114	6,236	30.31	142,850
				$ 9,712,812			9,454,008
Non-monetary items:							
USD	$	86	29.95	2,578	354	29.14	10,307
Long-term investment under equity method:							
USD	$	888	29.95	26,588	1,382	29.14	40,256
Financial liabilities (note):							
Monetary items:							
JPY	$	132,803	0.28	37,796	111,595	0.34	37,496
CAD		4,447	28.21	125,455	7,118	29.36	208,948
BRL		13,570	12.78	173,497	14,200	14.26	202,464
USD		332,759	29.95	9,966,143	252,359	29.14	7,352,711
CLP		330,063	0.06	18,862	563,749	0.06	34,222
AUD		1,989	26.68	53,071	2,657	30.31	80,522
				$ 10,374,824			7,916,363
Non-monetary items:							
USD	$	496	29.95	14,849	911	29.14	26,540

Note: Disclosure in the consolidated financial statements of the financial assets and liabilities in foreign currency is limited to information on subsidiaries directly held by the Company.

(ii) Sensitivity analysis

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

All other variables were held constant, 1.5% of appreciation (depreciation) of the USD against other currencies as of December 31, 2013 and 2012 would have increased or decreased the net profit after tax by $14,183 thousand and $2,956 thousand.

(4) Interest rate analysis

The interest rate risk exposure of financial assets and liabilities are disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the liabilities with variables interest rates, the analysis is on the basis of the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents management of the Consolidated Company's assessment on the reasonably possible interval of interest rate change.

All other variables were held constant, the interest rate had increased or decreased by 0.5%, the net profit would have increased or decreased by $0 thousand and $38 thousand for the years ended December 31, 2013 and 2012.

(5) Fair value

(i) The non-derivative short-term financial assets and liabilities that include account receivables (including account receivables from related parties), other financial assets – current/non-current, short- and long-term loans and account payables (including account payables to related parties) estimate its fair value from its carrying value. When the financial assets are near to their maturity dates, the carrying value should be a reasonable approximation of fair value.

(ii) Fair value and carrying value

Apart from the financial assets and liabilities as mentioned above, information of the fair value of the remaining financial assets and liabilities are summarized as follows:

	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets:						
Financial assets at fair value through profit or loss — current	$ 79,540	79,540	51,151	51,151	349,109	349,109
Financial assets at fair value through profit or loss — non-current	-	-	8	8	-	-
Available-for-sale financial assets — non-current	533,870	533,870	848,649	848,649	811,876	811,876
Financial assets at cost — non-current	168,402	Please refer to (iv)B	279,358	Please refer to (iv)B	321,606	Please refer to (iv)B
Financial liabilities:						
Financial assets at fair value through profit or loss — current	15,117	15,117	26,540	26,540	92,872	92,872
Bonds payable	112,302	Please refer to (iv)C	110,400	Please refer to (iv)C	1,899,026	Please refer to (iv)C

(Continued)

The table below analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

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

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

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

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Available-for-sale financial assets — non-current	$ 533,870	-	-	533,870
Financial assets at fair value through profit or loss — current	68,090	11,450	-	79,540
Financial liabilities at fair value through profit or loss — current	-	(15,117)	-	(15,117)
	$ 601,960	(3,667)	-	598,293
December 31, 2012				
Available-for-sale financial assets — non-current	$ 848,649	-	-	848,649
Financial assets at fair value through profit or loss — current	40,665	10,486	-	51,151
Financial assets at fair value through profit or loss — non-current	-	8	-	8
Financial liabilities at fair value through profit or loss — current	-	(26,540)	-	(26,540)
	$ 889,314	(16,046)	-	873,268
January 1, 2012				
Available-for-sale financial assets — non-current	$ 811,876	-	-	811,876
Financial assets at fair value through profit or loss — current	320,009	29,100	-	349,109
Financial liabilities at fair value through profit or loss — current	-	(92,872)	-	(92,872)
	$ 1,131,885	(63,772)	-	1,068,113

(iii) As of December 31, 2013 and 2012 there was no transfer of financial assets and liabilities from Level 1 to Level 2. As of December 31, 2013, and December 31, and January 1, 2012, the Consolidated Company owns no financial asset or liability at fair value though profit or loss that classified into Level 3.

(Continued)

(iv) Valuation techniques and assumptions used in fair value measurement

The Consolidated Company's uses the following methods in determining the fair value of its financial assets and liabilities:

a) The fair values of financial assets are based on quoted market prices, where available. If quoted market prices are not available, the fair value is determined based on certain valuation techniques. The estimations and assumptions of valuation techniques adopted by the Consolidated Company are identical to those adopted by other market participants when pricing the financial instruments.

b) The fair value of financial assets at cost cannot be reliably measured and its fair value cannot be estimated as there is no quoted price in the market.

c) The fair value of corporate bonds payables is estimated based on valuation techniques. The estimations and assumptions of valuation techniques adopted by the Consolidated Company are identical to those adopted by other market participants when pricing the financial instruments. However, the fair value is not a representative of the future cash outflow.

(w) Financial risk management

(1) Overview

The Consolidated Company is exposed to the following risks rising from financial instruments:

(i) Credit risk

(ii) Liquidity risk

(iii) Market risk

This note expressed the information on risk exposure and objectives, policies and process of risk measurement and management of the Consolidated Company. For detailed information, please refer to the related notes of each risk in interim consolidated financial statements.

(2) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has given the department directors a task to establish and dominate regulations of risk management to effectively ensure operations of risk management. The personnel change in department directors should be reported to the Board of Directors.

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

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

(3) Credit risk

Credit risk is the risk of financial loss to the Consolidated Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Company's receivables from customers, investment securities and hedge derivatives.

(i) Accounts receivable

The credit risk exposure of the Consolidated Company arises from the operations and financial conditions of each customer and the demographics of the Consolidated Company's customer base, including the default risk of the industry and country in which customers operate in. However, the Consolidated Company operates worldwide, and thus, risk is diversified. As of December 31, 2013, and December 31, and January 1, 2012, revenue from each foreign customer does not exceed 5% of the Consolidated Company's revenue and therefore, there is no concentration of credit risk.

The Consolidated Company has completed in setting the credit risk management policies, and has established Institutional Credit Review Committee and Credit Risk Management Department, which are responsible for managing credit policies and client's credit risk. Based on the global risk management, credit rating and analysis are required to customers on credit in advance and granted credit limits. For customers who made their payments other than cash, regular reviews on credit limits are required to ensure the creditworthiness of customers.

Allowance for bad debt is set based on the credit rating of each customer. In order to mitigate the risk of default, the Consolidated Company has purchased guarantees, with appropriate insured amount for customers in high risk countries. High risks customers without insurance should make their payments in advance or provide sufficient credit guarantees. In addition, when the creditworthiness of customers worsens, they should be placed on a restricted customer list. The credit rating for these customers should be downgraded and the transactions on sales credit should be restricted.

The Consolidated Company has set the allowance for bad debt account to reflect the possible losses on account and other receivables. The allowance for bad debt account consists of specific losses relating to individually significant exposure from customers with financial difficulties or operating conflicts. The allowance for bad debt account is based on historical collection record of similar financial assets or the possibility of breaching the contracts.

(ii) Investment on securities and derivative financial instruments

The credit risk exposure bank deposits, fixed income investments and derivative financial instrument are measured and monitored by the Consolidated Company's finance department. As the Consolidated Company will select financial institutions with good credit ratings as its counterparties and diversify its investment in different financial institutions, and do not expect to have any default risks and significant concentration of credit risk.

(iii) Guarantees

Pursuant to the Consolidated Company's policies, it is only permissible to provide financial guarantees to subsidiaries. As of December 31, 2013, and December 31, and January 1, 2012, the Consolidated Company has not provide any guarantees to a third party.

(4) Liquidity risk

Liquidity risk is the risk that the Consolidated Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Consolidated Company's approach to manage liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Company's reputation. The Consolidated Company aims to maintain the level of its cash and short term bank facilities at an amount in excess of expected cash flows on financial liabilities over the succeeding 60 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Consolidated Company has unused short term bank facilities for $5,201,921 thousands as of December 31, 2013.

(5) Market risk

Market risk is the risk that changes in market prices, such as changes in foreign exchange rates, interest rates or equity prices that affects the Consolidated Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters to minimize the influence on change in market price or control within expectable scope.

The Consolidated Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines of risk management.

(i) Currency risk

The Consolidated Company is exposed to currency risk on sales, purchases and loans that are denominated in currencies other than its respective functional currencies. The functional currencies of the Consolidated Company are primarily denominated in New Taiwan Dollars (NTD) and US Dollars (USD) and include denominated in Euro (EUR), Chinese Yuan (CNY), Japanese Yen (JPY) and Brazilian Real (BRL) of other countries in which the subsidiaries registered. Purchases are mainly denominated in USD while sales are denominated in USD, EUR, CNY, NTD, British Pounds (GBP), Australian Dollar (AUD), Canadian Dollar (CAD), JPY, South Korean Won (KRW), Russian Ruble (RUB), Indian Rupee (INR), BRL, Mexican Peso(MXN) and other currencies.

(Continued)

At any point in time, the Consolidated Company hedges its currency risk based on its actual and forecast sales over the following six months. The Consolidated Company also uses nature hedges on assets and liabilities denominated in foreign currencies and maintained the hedge ratio at 50% and above. The Consolidated Company uses forward exchange contracts and foreign-exchange options, with a maturity of less than one year from the reporting date, to hedge its currency risks.

Generally, the currencies of loans in the Consolidated Company are denominated in its functional currencies and are incorporated in net exposure on loan requirement denominated in foreign currencies as mentioned above to ensure the net exposure is maintained at acceptable level.

Transactions in derivative financial instruments adopt economic hedge to prevent currency risk from financial assets and liabilities denominated in foreign currencies. The gains and losses of hedged items are expected to offset gains or losses that arise from the fluctuations in exchange rates. The valuation gains and losses on financial assets consist of transactions that do not qualify as hedging accounting.

(ii) Interest rate risk

The Consolidated Company is exposed to interest rate risk arising from its borrowing at floating rate, such that changes in interest rates would affect the future cash flows. However, interest from financial assets remains higher than the interest from financial liabilities and therefore, there is no significant interest rate risk in the Consolidated Company.

(iii) Other price risk

The Consolidated Company holds both money market funds and bond funds, where their prices are affected by changes in mutual funds. The abovementioned mutual funds are widely used as fixed income investments in domestic, with large market scale, stable market prices, and high liquidity. The Consolidated Company is held for the purpose of short-term capital allocation with a period of approximately 3 months. The finance department will monitor the changes in market and dispose the investments, if necessary.

(x) Capital management

The Consolidated Company's fundamental management objectives is to maintain a strong capital base. Capital consists of ordinary shares, capital surplus, retained earnings and other equities. The Board of Directors monitors the capital structure regularly and selects the optimal capital structure by considering the capital scale, overall operating environment, operating characteristics of the industry in order to support future development of the business. The current aim for debt-to-equity ratio is set within 100%. As of the reporting date, the debt-to-equity ratio is considered appropriate.

Debt-to-equity ratio:

		December 31, 2013	December 31, 2012	January 1, 2012
Total liabilities	$	10,861,439	11,165,364	12,718,147
Less: cash and cash equivalents		(3,275,650)	(4,030,237)	(5,317,622)
Net debt	$	7,585,789	7,135,127	7,400,525
Total equity	$	13,596,350	13,663,963	14,222,952
Debt to equity ratio at 31 December		55.79%	52.22%	52.03%

As of December 31, 2013, the methods of Consolidated Company's capital management remained unchanged.

7. Related-party transactions

(a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Consolidated Company.

(b) Significant related party transactions

(1) Sales

The amounts of significant sales transactions between the Consolidated Company and related parties were as follows:

		2013	2012
Entities with significant influence over the Consolidated Company	$	642	4,874
Other related-parties		184	495
	$	826	5,369

The average credit terms extended to related parties and third-party customers were approximately 30-90 days. However, credit terms to related parties might be further extended when necessary.

(2) Purchases

The amount of purchase transactions between the Consolidated Company and related parties were as follows:

		2013	2012
Entities with significant influence over the Consolidated Company	$	8,886,940	10,040,819
Other related-parties		3,611,429	4,077,175
	$	12,498,369	14,117,994

The payment term of related parties was 30-90 days. There were no significant differences in purchasing terms between related parties and third-party suppliers.

(Continued)

(3) Accounts receivable due from related parties

The accounts receivable due from related parties were as follows:

Account	Related party categories		December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivable	Entities with significant influence over the Consolidated Company	$	3,486	5,546	17,281
Accounts receivable	Other related-parties		-	439	359
Other receivables	Entities with significant influence over the Consolidated Company		9,668	19,021	14,668
Other receivables	Other related-parties		53	55	5,890
		$	13,207	25,061	38,198

In 2013 and 2012, revenues from rent and others were $2,057 thousand and $15,243 thousand, respectively.

(4) Accounts payable to related parties

The accounts payable to related parties were as follow:

Account	Related party categories		December 31, 2013	December 31, 2012	January 1, 2012
Accounts payable	Entities with significant influence over the Consolidated Company	$	2,540,860	2,237,626	3,302,890
Accounts payable	Other related-parties		849,375	933,810	1,153,182
Other payables	Entities with significant influence over the Consolidated Company		31,973	60,509	55,593
Other payables	Other related-parties		18,863	30,822	15,478
		$	3,441,071	3,262,767	4,527,143

(5) Services purchased from related parties

The purchase of services from related-parties were as follows:

		2013	2012
Entities with significant influence over the Consolidated Company	$	55,072	72,881
Other related-parties		15,053	29,426
	$	70,125	102,307

(6) Property transaction

(i) Property, plant and equipment acquired

The acquisition of property, plant and equipment from the related parties were as follows:

	2013	2012
Entities with significant influence over the Consolidated Company	$ 30,916	13,142
Other related-parties	10,548	22,142
	$ 41,464	35,284

(ii) The Consolidated Company sold patents which are in the process of application to MiiiCasa Holding for $20,735 thousand (USD700 thousand) in March 2012. The unrealized profits due to the abovementioned transactions amounting to $5,571 thousand, was recognized under other non-current liabilities, and the realized profits, $15,164 thousand, was recognized under other revenues.

The details of the abovementioned transactions were summarized as follows:

	Other revenue		Other non-current liabilities		
	2013	2012	December 31, 2013	December 31, 2012	January 1, 2012
The Company	$ 682	14,482	5,571	6,253	-

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2013	2012
Short-term employee benefits	$ 107,467	107,373
Post-employee benefits	3,346	2,615
Share-based payments	2,631	5,507
	$ 113,444	115,495

Please refer to note 6(p) for the information of share-based payments.

8. Pledged assets

The carrying values of pledged asses are as follows:

Pledged assets	Pledged to secure	December 31, 2013	December 31, 2012	January 1, 2012
Time deposits	Performance bond (restricted asset)	$ 7,765	9,228	87,712

9. Commitments and contingencies

(a) Northpeak Wireless, LLC filed a lawsuit against the Company's subsidiary D-Link Systems in October 2008 alleging that some of the Company's products infringed upon its patents. The Company has retained attorneys in the US and is currently building its defense with product suppliers. Based on its evaluation, The Company does not believe the litigation will have a significant impact on its current operations.

(b) Ericsson, Inc. and Telefonaktiebolaget LM Ericsson filed a lawsuit against the Company's subsidiary D-Link Systems on September 14, 2010, alleging that some of the Company's products infringed upon its patents. The Company has retained attorneys in the US and is currently building its defense with product suppliers. Based on its evaluation, the Company does not believe the litigation will have a significant impact on its current operations.

(c) Charles C. Freeney III, Bryane E. Freeny, and James P. Freeny filed a lawsuit against the Company's subsidiary D-Link Systems in April 2013 alleging that some of the Company's products infringed upon its patents. The Company has retained attorneys in the US and is currently building its defense with product suppliers. Based on its evaluation, the Company does not believe the litigation will have a significant impact on its current operations.

(d) Spansion LLC filed a lawsuit and investigated ITC procedures against the Company's subsidiary D-Link Systems in August 2013 alleging that some of the Company's products infringed upon its patents. The Company has retained attorneys in the US and is currently building its defense with product suppliers. Based on its evaluation, the Company does not believe the litigation will have a significant impact on its current operations.

(e) Garnet Digital LLC filed a lawsuit against the Company's subsidiary D-Link Systems in September 2013 alleging that some of the Company's products infringed upon its patents. The Company has retained attorneys in the US and is currently building its defense with product suppliers. Based on its evaluation, the Company does not believe the litigation will have a significant impact on its current operations.

(f) Innovative Wireless Solutions LLC filed a lawsuit against the Company's subsidiary D-Link Systems in November 2013 alleging that some of the Company's products infringed upon its patents. The Company has retained attorneys in the US and is currently building its defense with product suppliers. Based on its evaluation, the Company does not believe the litigation will have a significant impact on its current operations.

(g) The Company is currently under negotiations with a number of companies regarding the royalty on patents. In addition to the abovementioned lawsuits, there are other lawsuits that are in the negotiation process, and therefore the liabilities are unclear. The Company has accrued the possible expense, and therefore significant losses are unlikely. In addition, the Company's products are purchased from an outside source, and therefore when certain products are alleged to infringe on patents, the Company will ask the supplier to take action in resolving the lawsuit and be responsible for all costs related to the lawsuit or settlement.

(h) Subsidiaries in Europe, Brazil and Singapore had disputes regarding prior years declaration of Profit-Seeking Enterprises Income Tax with the local tax authorities and had filed administrative litigation and administrative remedy.

(Continued)

10. Losses due to major disasters: None.

11. Subsequent events: None.

12. Other information

The information on employee, depreciation, and amortization expenses, by function, is summarized as follows:

Account	2013			2012		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee expenses						
Salaries	126,220	3,293,568	3,419,788	131,959	3,202,095	3,334,054
Labor and health insurance	3,798	163,284	167,082	3,592	149,565	153,157
Pension	9,443	132,659	142,102	8,760	125,815	134,575
Others	-	103,902	103,902	-	104,345	104,345
Depreciation	2,580	199,222	201,802	2,998	220,462	223,460
Amortization	151	33,157	33,308	138	34,724	34,862

13. Segment information

(a) General information

As the major products of the Consolidated Company (computer networks systems, equipment and spare parts) constitute more than 90 percent of its sales, operating profit, and identifiable assets, the Consolidated Company is classified as a single-industry company.

(b) Reportable segment profit or loss, segment assets, segment liabilities, and their measurement and reconciliations

The Consolidated Company uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation.

2013	Americas	Europe	Emerging markets and others	Adjustments and eliminations	Total
Revenue:					
Third-party customers	$ 7,552,511	6,541,217	16,464,746	-	30,558,474
Inter-company	17,665	20,446	8,602,535	(8,640,646)	-
Total revenue	$ 7,570,176	6,561,663	25,067,281	(8,640,646)	30,558,474
Reportable segment profit (loss)	$ (312,177)	120,675	964,748	(26,995)	746,251

(Continued)

			2012		
	Americas	Europe	Emerging markets and others	Adjustments and eliminations	Total
Revenue:					
Third-party customers	$ 7,867,364	6,399,513	18,202,041	(1,968)	32,466,950
Inter-company	5,999	7,906	9,695,090	(9,708,995)	-
Total revenue	$ 7,873,363	6,407,419	27,897,131	(9,710,963)	32,466,950
Reportable segment profit (loss)	$ (186,388)	66,199	1,349,681	(125,390)	1,104,102

	Americas	Europe	Emerging markets and others	Adjustments and eliminations	Total
Reportable segment assets:					
December 31, 2013	$ 5,454,315	3,140,058	33,995,313	(18,131,897)	24,457,789
December 31, 2012	$ 5,581,429	3,008,665	33,932,299	(17,693,066)	24,829,327
January 1, 2012	$ 5,369,783	2,256,363	37,656,003	(18,341,050)	26,941,099

The material reconciling items of the above reportable segment are as below:

Total reportable segment revenue after deducting the interagroup revenue were $8,640,646 thousand and $9,710,963 thousand in 2013 and 2012, respectively.

The Consolidated Company has three reportable segments that include the American markets, European markets, Emerging markets and others. Those reportable segments are primarily operated in research, development and selling of computer network and equipment and wireless communication products.

The Consolidated Company's reportable segments are strategic business units that offer geographical products and services.

The Consolidated Company does not allocate tax expense to reportable segments. The operating segments' profit and loss is measured as income before income taxes. It evaluates performance on the basis of the reportable amount which is the same as that of the report used by the chief operating decision maker.

(Continued)

(c) Information on the products and services

Revenue from the external customers of the Consolidated Company was as follow:

Products and services		2013	2012
Switch	$	8,497,876	9,336,064
Wireless		10,270,073	11,957,304
Broadband		5,639,242	5,665,773
Digital Home		3,761,247	3,488,123
Others		2,275,646	1,860,920
Service revenue		114,390	158,766
Total	$	30,558,474	32,466,950

(d) Geographic information

Country		2013	2012
Revenue from external customers:			
United States	$	3,230,940	3,390,530
Other countries		27,327,534	29,076,420
	$	30,558,474	32,466,950
Non-current assets			
Taiwan	$	993,138	1,037,474
India		458,168	474,427
Other countries		449,262	332,525
Total	$	1,900,568	1,844,426

Non-current assets include property, plant and equipment, investment property, intangible assets, and other assets, but excluding financial instruments and deferred tax assets.

(e) Major customers

There were no individual customers representing greater than 10% of consolidated revenue in 2013 and 2012.

14. First-time adoption of IFRS

The consolidated financial statements for the year ended December 31, 2012 were originally prepared in accordance with the ROC GAAP. As stated in note 4(a), the consolidated financial statements are prepared for the first annual consolidated financial statements prepared in accordance with the Regulations and the requirements under IFRS 1 First-time adoption of IFRS endorsed by the FSC.

Note 4 states that the significant accounting policies have been applied consistently to the Comparative Consolidated Financial Statements in 2012, the consolidated balance sheet as of December 31, 2012, and the first IFRS statement of as of January 1, 2012. (the conversion of the Consolidated Company)

When preparing the related financial statements for 2012, the consolidated Company set the amounts in the financial statements prepared in accordance with the ROC GAAP as the beginning point for adjustments. The impact on and explanations for the financial status, financial performances and cash flows for each point or period of time arising from the conversion from the ROC GAAP to the IFRSs endorsed by the FSC were as the following table and notes.

(a) The Consolidated Company applied IFRS 1 First-time Adoption of International Financial Reporting Standards endorsed by FSC as follows:

(1) Optional exemptions selected are summarized as follows:

(i) Business combinations

The Consolidated Company elected not to apply IFRS 3 Business Combination retrospectively to business combinations that occurred before the date of transition to IFRSs. Therefore, in the opening balance sheet, the amount of intangible assets generated from past business combinations was the same as the carrying amount under ROC GAAP as of January 1, 2012.

(ii) Goodwill arising from business combinations and fair value adjustment

In accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates, goodwill and fair value adjustment to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation shall be treated as assets and liabilities of the foreign operation. Therefore, those goodwill and fair value adjustments shall be expressed in the foreign operation’s functional currency and shall be translated at the closing rate at the end of the reporting period. The Consolidated Company elected not to apply IAS 21 retrospectively to goodwill and those fair value adjustments arising from business combinations that occurred before the date of transition to IFRSs. Therefore, goodwill and fair value adjustments that occurred before the date of transition to IFRSs are expressed in New Taiwan dollars using the historical exchange rates.

(iii) Share-based payment transactions

The Consolidated Company elected to take the optional exemption from retrospective application of IFRS 2 Share-based Payment to equity-settled shared-based payment transactions that were granted and vested before the date of transition to IFRSs.

(iv) Employee benefits

The Consolidated Company elected to recognize all cumulative actuarial gains and losses relating to employee benefits in retained earnings at the date of transition to IFRSs.

(2) Optional exemptions not selected are summarized as follows:

(i) The Company had not elected to use the fair value or revaluation value of the property, plant and equipment carried at cost as deemed cost at the date of transition to IFRSs.

(ii) The Consolidated Company elected to apply IAS 21 The Effects of Changes in Foreign Exchange Rates, which requires the Consolidated Company to adjust the accumulated translation differences arising on translation of each foreign operation retrospectively. The Consolidated Company elected not to reclassify the accumulated translation differences to retained earnings at the date of transition to IFRSs.

(Continued)

(b) Reconciliation of consolidated balance sheet

	December 31, 2012			January 1, 2012		
	ROC	Differences	IFRSs	ROC	Differences	IFRSs
Assets						
Cash and cash equivalents	$ 4,030,555	(318)	4,030,237	5,319,966	(2,344)	5,317,622
Financial assets at fair value through profit or loss — Current	51,151	-	51,151	349,109	-	349,109
Notes receivable, net	114,168	-	114,168	74,080	-	74,080
Accounts receivable, net	5,741,958	66,878	5,808,836	5,364,422	32,903	5,397,325
Accounts receivable due from related parties, net	5,985	-	5,985	17,640	-	17,640
Other receivables	145,975	-	145,975	150,271	30,358	180,629
Current tax assets	117,526	-	117,526	153,002	-	153,002
Inventories	6,452,294	-	6,452,294	7,391,886	-	7,391,886
Prepayments and other current assets	1,064,587	(259,457)	805,130	889,111	(244,374)	644,737
Total current assets	17,724,199	(192,897)	17,531,302	19,709,487	(183,457)	19,526,030
Non-current financial assets at fair value through profit or loss	8	-	8	-	-	-
Available-for-sale financial assets — Non-current	768,412	80,237	848,649	772,630	39,246	811,876
Financial assets carried at cost	323,162	(43,804)	279,358	365,410	(43,804)	321,606
Investments accounted for using equity method	3,752,784	(132,210)	3,620,574	3,835,933	(108,363)	3,727,570
Property, plant and equipment	1,292,764	10,520	1,303,284	1,321,748	10,801	1,332,549
Investment property, net	-	24,443	24,443	-	24,840	24,840
Intangible assets	462,557	-	462,557	486,608	-	486,608
Deferred tax assets	30,023	674,987	705,010	42,221	588,265	630,486
Other non-current assets	155,209	(101,067)	54,142	187,509	(107,975)	79,534
Total non-current assets	6,784,919	513,106	7,298,025	7,012,059	403,010	7,415,069
Total assets	$ 24,509,118	320,209	24,829,327	26,721,546	219,553	26,941,099
Liabilities						
Short-term loans	$ -	-	-	139,875	-	139,875
Financial liabilities at fair value through profit or loss — Current	26,540	-	26,540	92,872	-	92,872
Notes payable	1,515	-	1,515	11,070	-	11,070
Accounts payable	2,293,446	-	2,293,446	2,118,070	-	2,118,070
Accounts payable to related parties	3,171,436	-	3,171,436	4,456,072	-	4,456,072
Current tax liabilities	402,653	-	402,653	269,779	-	269,779
Other payables	2,795,900	(367,587)	2,428,313	2,718,967	(351,103)	2,367,864
Provisions	-	455,779	455,779	-	431,717	431,717
Other current liabilities	373,039	-	373,039	138,553	-	138,553
Current portion of long-term liabilities	-	-	-	1,899,026	-	1,899,026
Total current liabilities	9,064,529	88,192	9,152,721	11,844,284	80,614	11,924,898
Bonds payable	110,400	-	110,400	-	-	-
Long-term loans	1,070,000	-	1,070,000	-	-	-
Deferred tax liabilities	317,351	417,096	734,447	368,006	344,188	712,194
Other non-current liabilities	73,814	23,982	97,796	80,891	164	81,055
Total non-current liabilities	1,571,565	441,078	2,012,643	448,897	344,352	793,249
Total liabilities	10,636,094	529,270	11,165,364	12,293,181	424,966	12,718,147
Equity attributable to owners of parent						
Capital stock	6,475,803	-	6,475,803	6,475,803	-	6,475,803
Capital surplus	2,235,684	(106,047)	2,129,637	2,249,287	(131,881)	2,117,406
Retained earnings	6,289,491	(188,563)	6,100,928	6,209,633	(116,546)	6,093,087
Other equity interest	(814,373)	61,788	(752,585)	(394,268)	22,117	(372,151)
Treasury stocks	(530,547)	-	(530,547)	(323,798)	-	(323,798)
Equity attributable to owners of parent	13,656,058	(232,822)	13,423,236	14,216,657	(226,310)	13,990,347
Non-controlling interests	216,966	23,761	240,727	211,708	20,897	232,605
Total equity	13,873,024	(209,061)	13,663,963	14,428,365	(205,413)	14,222,952
Total liabilities and equity	$ 24,509,118	320,209	24,829,327	26,721,546	219,553	26,941,099

(Continued)

(c) Reconciliation of consolidated statements of comprehensive income

	2012 ROC	2012 Difference	2012 IFRSs
Net operating revenues	$ 32,466,950	-	32,466,950
Operating costs	22,985,234	787,009	23,772,243
Gross profit from operations	9,481,716	(787,009)	8,694,707
Selling expenses	6,232,897	(778,105)	5,454,792
Administrative expenses	1,598,919	671	1,599,590
Research and development expenses	957,145	122	957,267
Total operating expenses	8,788,961	(777,312)	8,011,649
Operating income	692,755	(9,697)	683,058
Non-operating income and expenses:			
Other income	223,860	-	223,860
Other gains and losses	(40,959)	677	(40,282)
Finance costs	(38,020)	-	(38,020)
Share of profit (loss) of associates accounted for using equity method	266,412	9,074	275,486
	411,293	9,751	421,044
Income before income tax	1,104,048	54	1,104,102
Less: Income tax expenses	300,161	(7,117)	293,044
Net Income	803,887	7,171	811,058
Other comprehensive income :			
Foreign currency translation differences	-	(492,213)	(492,213)
Changes in fair value of available-for-sale financial assets	-	57,242	57,242
Defined benefit plan actuarial gains (losses)	-	(77,450)	(77,450)
Share of other comprehensive income of associates accounted for using equity method	-	(26,184)	(26,184)
Less: Income tax on other comprehensive income	-	(81,154)	(81,154)
Other comprehensive income, net	-	(457,451)	(457,451)
Total comprehensive income	$ 803,887	(450,280)	353,607
Basic earnings per share (New Taiwan dollars)	$ 1.23	0.01	1.24
Diluted earnings per share (New Taiwan dollars)	$ 1.22	0.01	1.23

(d) Significant adjustments in consolidated cash flow statements

There is no significant difference between the consolidated statements of cash flow prepared under IFRSs endorsed by the FSC and ROC GAAP.

(Continued)

(e) Explanations for the reconciliations

(1) The Consolidated Company reclassified its own certificates of deposit having maturity of more than one year into other non-current assets.

Impacts of this change are hereby summarized as follows:

		December 31, 2012	January 1, 2012
Consolidated balance sheets			
cash and cash equivalents	$	(318)	(2,344)
Other non-current assets		318	2,344
Adjustment for retained earnings	$	-	-

(2) Deferred tax assets and liabilities

Based on IAS 12 endorsed by FSC, the Consolidated Company considers the legally enforceable rights and expected recovery of year of its deferred tax liabilities and assets and it decides to separate the net deferred tax assets into the deferred tax liabilities and the deferred tax assets. Impacts of this change are hereby summarized as follows:

		December 31, 2012	January 1, 2012
Prepayments and other current assets	$	(260,018)	(252,647)
Deferred tax assets		630,252	546,991
Other payables		(3,353)	(2,680)
Deferred tax liabilities		373,587	297,024
Adjustment for retained earnings	$	-	-

(3) Change in tax rates

Under ROC GAAP a change in tax rates affects a deferred tax asset or liability relating to an item that was previously recognized equity, and the impact shall be recognized as the current income tax expense or benefit. However, IAS 12 endorsed by FSC states that this impact shall be recognized in equity.

Impacts of this change are hereby summarized as follows:

		December 31, 2012	January 1, 2012
Consolidated balance sheets			
Exchange differences arising on translation of foreign operations	$	19,812	19,812
Decrease in retained earnings	$	19,812	19,812

(Continued)

(4) Investments accounted for using equity method

(i) An associate accounted for using the equity method assesses any possibilities of material discrepancy between the current accounting policies and the future accounting policies for applying IFRSs with the Consolidated Company, mainly including unused sick leave and adjustments of the unrecognized actuarial gains and losses.

Impacts of this change are hereby summarized as follows:

	2012
Consolidated statements of comprehensive income	
Non-operating income and expenses	
Share of profit (loss) of associates accounted for using equity method	$ 9,074
Other comprehensive income	
Actuarial gains (loss) on defined benefit plans	(35,971)
Adjustment for retained earnings	**$ (26,897)**

	December 31, 2012	January 1, 2012
Consolidated balance sheets		
Investments accounted for using equity method	$ (137,753)	(115,226)
Adjustment for retained earnings	**$ (137,753)**	**(115,226)**

(ii) In addition, if an investee issues new shares and an investor does not purchase new shares proportionately, which results in a change in the Consolidated Company's holding percentage and its interest in the investee's net assets, such difference adjusted to capital surplus, it is not required to adjust the difference retrospectively at the date of transition to IFRSs. Such capital surplus recorded under ROC GAAP shall be adjusted to retained earnings at the date of transition to IFRS.

Impacts of this change are hereby summarized as follows:

	December 31, 2012	January 1, 2012
Consolidated balance sheets		
Capital surplus — long-term investments	$ 119,159	140,564
Adjustment for retained earnings	**$ 119,159**	**140,564**

(iii) An associate accounted for using the equity method assesses any possibilities of material discrepancy between the current accounting policies and the IFRSs accounting policies, which mainly involve the exchange differences on translation and the adjustments of unrealized gains (losses) on available for sale financial assets. The Consolidated Company has recognized changes in the associates' other comprehensive income based on the proportion of shares held by the Consolidated Company.

(Continued)

Impacts of this change are hereby summarized as follows:

	December 31, 2012	January 1, 2012
Consolidated balance sheets		
Investments accounted for using equity method	$ 5,543	6,863
Exchange differences on translation of foreign financial statements	6,601	6,863
Unrealized gain (loss) on available for sale financial assets	(1,058)	-
Adjustment for retained earnings	$ -	-

(5) Emerging stocks adjusted as available-for-sale financial assets – noncurrent

Base on Regulations, the Consolidated Company's emerging stocks are valued at cost and recognized under financial assets carried at cost. However, IFRSs require them to be measured at fair value and recognized the differences between the cost and the fair value of these financial assets as unrealized loss on available-for-sale financial assets under other equity.

Impacts on this change are hereby summarized as follows:

	December 31, 2012	January 1, 2012
Consolidated balance sheets		
Available for sale financial assets	$ 80,237	39,246
Financial assets at cost	(43,804)	(43,804)
Unrealized gain (loss) on available for sale financial assets	(36,433)	4,558
Adjustment for retained earnings	$ -	-

(6) Based on IAS 16 endorsed by FSC, the Consolidated Company reclassified idle assets under other assets as property, plant and equipment.

Impacts on this change are hereby summarized as follows:

	2012
Consolidated statements of comprehensive income	
Administrative expenses	$ 280
Other gains and losses	(280)
Adjustment by tax expenses	$ -

(Continued)

		December 31, 2012	January 1, 2012
Consolidated balance sheets			
Property, plant and equipment	$	10,520	10,801
Other non-current assets		(10,520)	(10,801)
Adjustment for retained earnings	$	-	-

(7) Based on IAS 40 endorsed by FSC, land and buildings held to earn rental income or for capital appreciation that was classified as assets held for lease under ROC GAAP shall be classified as investment properties.

Impacts on this change are hereby summarized as follows:

		2012
Consolidated statements of comprehensive income		
Administrative expenses	$	397
Other gain and losses		(397)
Adjustment by tax expenses	$	-

		December 31, 2012	January 1, 2012
Consolidated balance sheets			
Investment property	$	24,443	24,840
Other non-current assets		(24,443)	(24,840)
Adjustment for retained earnings	$	-	-

(8) Unused sick leave

Accumulated unused sick leave is not addressed in existing ROC GAAP; thus, the Consolidated Company recognized the expected cost of accumulated compensated absences during the period if the accumulated compensated absences can be taken in the future years. However, under IFRSs, when the employees render services that increase their entitlement to future compensated absences, the Consolidated Company should recognize the expected cost at the end of reporting periods.

Impacts on this change are hereby summarized as follows:

		2012
Consolidated statements of comprehensive income		
Employee benefits expenses	$	4,636
Tax expenses		(788)
Adjustment after tax expenses	$	3,848

(Continued)

		December 31, 2012	January 1, 2012
Consolidated balance sheets			
Deferred tax assets	$	4,194	3,407
Other payables		24,667	20,033
Adjustment for retained earnings	$	(20,473)	(16,626)

(9) Employee benefits

In accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards, the Consolidated Company elected to recognize all cumulative actuarial gains and losses relating to employee benefits at the date of transition to IFRSs.

Based on IFRS 1, the Consolidated Company elected to apply the exemption to recognize all cumulative actuarial gains and losses at the date of transition to IFRSs.

Impacts on this change are hereby summarized as follows:

		2012
Consolidated statements of comprehensive income		
Employee benefits expenses	$	(2,910)
Other comprehensive income		
Actuarial gains (losses) on defined		26,184
Adjustment by tax expenses	$	23,274

		December 31, 2012	January 1, 2012
Consolidated balance sheets			
Other non-current assets	$	(65,861)	(66,405)
Other non-current liabilitites		23,982	164
Adjustment for retained earnings	$	(89,843)	(66,569)

(10) Under ROC GAAP, deferred income tax assets or liabilities from intergroup sales are recognized for the change in tax basis using the seller's tax rates. However, under IFRSs, the buyer's tax rates are used instead.

Impacts on this change are hereby summarized as follows:

		2012
Consolidated statements of comprehensive income		
Tax expenses	$	(6,329)
Adjustment after tax expenses	$	(6,329)

(Continued)

		December 31, 2012	January 1, 2012
Consolidated balance sheets			
Deferred tax assets	$	40,541	37,867
Deferred tax liabilities		43,509	47,164
Adjustment for retained earnings	$	(2,968)	(9,297)

(11) Under ROC GAAP, deferred expenses were recognized under other assets. Under IFRSs, deferred expenses shall be classified as prepayments under current assets.

Impacts on this change are hereby summarized as follows:

		December 31, 2012	January 1, 2012
Consolidated balance sheets			
Prepayments and other current assets	$	561	8,273
Other non-current assets		(561)	(8,273)
Adjustment for retained earnings	$	-	-

(12) Under ROC GAAP, for those share-based payment granted before January 1, 2008 and are unvested, the use of the intrinsic value was required to recognize an employee cost of the share option plan. However, under IFRSs, it's required to measure based on the fair value at grant date, and to be adjusted retrospectively at the date of transition to IFRSs.

Impacts on this change are hereby summarized as follows:

		2012
Consolidated statements of income		
Employee benefits expenses	$	7,294
Adjustment for tax expenses	$	7,294

		December 31, 2012	January 1, 2012
Consolidated balance sheets			
Capital surplus — employee share options	$	36,873	29,580
Adjustment for retained earnings	$	36,873	29,580

(Continued)

(13) Under ROC GAAP, when equity instruments of a parent company have been granted to a subsidiary, those share-based payment transactions are considered as equity settled to adjust capital surplus on the consolidated financial statements of the parent. Under IFRSs, non-controlling interest in IAS27 refers to the equity in a subsidiary not attributable, directly or indirectly, to a parent.

Impacts on this change are hereby summarized as follows:

		December 31, 2012	January 1, 2012
Consolidated balance sheets			
Capital surplus — long-term investments	$	(23,761)	(20,897)
Non controlling interests		23,761	20,897
Adjustment for retained earnings	$	-	-

(14) Based on IAS 37, provisions includes allowance for sales returns, warranty liabilities and litigation liabilities.

Impacts on this change are hereby summarized as follows:

		December 31, 2012	January 1, 2012
Consolidated balance sheets			
Accounts receivable, net	$	66,878	32,903
Other receivables		-	30,358
Other payables		(388,901)	(368,456)
Provisions		455,779	431,717
Adjustment for retained earnings	$	-	-

(15) Under IFRSs, the Consolidated Company reclassified the warranty expense under operating expense as the warranty expense under operating cost based on the nature of business.

		2012
Consolidated statements of comprehensive income		
Operating cost	$	787,009
Warranty expenses		(787,009)
Adjustment by tax expenses	$	-

(Continued)