GCS HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2012 AND 2011

REPORT OF INDEPENDENT ACCOUNTANTS

PWCR2000191

To the Board of Directors and Stockholders of GCS Holdings, Inc.

We have audited the accompanying consolidated balance sheets of GCS Holdings, Inc. (the "Company") and its subsidiary as of December 31, 2012 and 2011, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended, expressed in thousands of New Taiwan dollars. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GCS Holdings, Inc. and its subsidiary as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and generally accepted accounting principles in the Republic of China.

pwc 資誠

GCS Holding, Inc. adopted International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the Standing Interpretations Committee (collectively referred herein as the IFRSs) as recognized by the Financial Supervisory Commission, R.O.C. and the "Rules Governing the Preparation of Financial Statements by Securities Issuers" that is applied in 2013 in the preparation of consolidated financial statements of GCS Holding, Inc. and its subsidiary starting from January 1, 2013. Information relating to the adoption of IFRSs by GCS Holding, Inc. is disclosed in Note 13 in accordance with Jin-Guan-Zheng-Shen-Zi Letter No. 0990004943 of the former Financial Supervisory Commission, Executive Yuan, R.O.C. dated February 2, 2010. The IFRSs may be subject to changes during the time of transition; therefore, the actual impact of IFRSs adoption on GCS Holding, Inc. and its subsidiary may also change.

PricewaterhouseCoopers, Taiwan

April 3, 2013

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

GCS HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31,

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2012		2011	
	Amount	%	Amount	%
ASSETS				
Current assets				
Cash and cash equivalents (Note 4 (1))	$ 181,254	26	$ 248,925	33
Accounts receivable (Note 4 (2))	88,779	13	68,741	9
Accounts receivable – related parties (Note 5)	31,052	4	40,233	5
Income tax refundable (Note 4(11))	5,533	1	1,640	-
Other receivables	16,693	2	6,002	1
Other financial assets – current	806	-	3,945	1
Inventories (Note 4 (3))	115,767	17	146,382	20
Prepaid expenses	2,884	-	1,872	-
Deferred income tax assets – current (Note 4 (11))	-	-	37,100	5
Total Current Assets	442,768	63	554,840	74
Funds and long-term investments				
Other financial assets – non-current (Note 6)	6,932	1	5,493	1
Property, plant and equipment (Note 4 (4))				
Cost				
Machinery and equipment	574,332	82	588,768	78
Computer and communication equipment	5,453	1	5,074	1
Research equipment	23,953	3	23,958	3
Furniture and fixtures	5,688	1	5,931	1
Leasehold improvements	170,274	24	147,530	20
Cost and revaluation	779,700	111	771,261	103
Less: Accumulated depreciation	(667,219)	(95)	(684,155)	(91)
Construction-in-progress and prepayments for equipment	7,192	1	15,446	2
Property, Plant and Equipment, Net	119,673	17	102,552	14
Intangible assets				
Computer software	16,903	2	3,634	-
Other assets				
Deferred income tax assets – non-current (Note 4 (11))	119,324	17	82,815	11
TOTAL ASSETS	$ 705,600	100	$ 749,334	100

(Continued)

GCS HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31,

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2012 Amount	2012 %	2011 Amount	2011 %
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts payable	$ 20,144	3	$ 20,974	3
Income tax payable (Note 4 (11))	-	-	1,228	-
Accrued expenses (Note 4 (5))	51,178	7	72,852	10
Receipts in advance	1,385	-	3,198	-
Total Current Liabilities	72,707	10	98,252	13
Total Liabilities	72,707	10	98,252	13
Stockholders' Equity				
Capital				
Common stock (Note 4 (7))	364,906	52	364,906	49
Capital reserve (Note 4(8))				
Additional paid-in capital	143,814	20	143,814	19
Employee stock options	52,360	7	45,234	6
Retained earnings (Note 4 (9))				
Earning reserve	6,821	1	-	-
Unappropriated earnings	73,950	11	79,274	11
Other adjustments to stockholders' equity				
Cumulative translation adjustments	(8,958)	(1)	17,854	2
Total Stockholders' Equity	632,893	90	651,082	87
Contingencies and Commitments (Note 7)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 705,600	100	$ 749,334	100

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

See report of independent accountants dated April 3, 2013.

GCS HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

	2012		2011	
	Amount	%	Amount	%
Operating revenues				
Sales (Note 5)	$ 826,604	102	$ 945,604	103
Sales returns	(6,505)	(1)	(8,095)	(1)
Sales allowance	(4,949)	(1)	(20,080)	(2)
Net Operating Revenues	815,150	100	917,429	100
Cost of goods sold (Notes 4(3) & (13))	(580,991)	(71)	(583,500)	(64)
Gross profit	234,159	29	333,929	36
Operating expenses (Note 4(13))				
Sales and marketing expenses	(18,561)	(2)	(18,571)	(2)
General and administration expenses	(108,573)	(14)	(127,519)	(14)
Research and development expenses	(105,461)	(13)	(111,445)	(12)
Total operating expenses	(232,595)	(29)	(257,535)	(28)
Operating income	1,564	-	76,394	8
Non-operating income and gains				
Interest income	122	-	168	-
Gain on disposal of property, plant and equipment	584	-	-	-
Other non-operating income	1,296	-	53	-
Non-operating Income and Gains	2,002	-	221	-
Non-operating expenses and losses				
Interest expense	-	-	(120)	-
Foreign currency exchange loss, net	(4)	-	-	-
Non-operating expenses and losses	(4)	-	(120)	-
Income from continuing operations before income tax	3,562	-	76,495	8
Income tax benefit (expense) (Note 4 (11))	5,233	1	(8,744)	(1)
Consolidated net income	$ 8,795	1	$ 67,751	7
Attributable to equity holders of the Company	$ 8,795	1	$ 67,751	7

	2012 Before Tax	2012 After Tax	2011 Before Tax	2011 After Tax
Basic Earnings Per Share (Notes 4 (12))				
Net income	$ 0.10	$ 0.24	$ 2.31	$ 2.05
Diluted Earnings Per Share (Notes 4 (12))				
Net income	$ 0.09	$ 0.23	$ 2.22	$ 1.97

The accompanying notes are an integral part of these consolidated financial statements

See report of independent accountants dated April 3, 2013.

GCS HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED TO DECEMBER 31, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			Retained Earnings			
2011	Common Stock	Capital Reserve	Earning Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Total
Balance at January 1, 2011	$ 306,946	$ 28,359	$ -	$ 11,522	($ 4,255)	$ 342,572
Issuance of common stock by cash	57,200	139,013	-	-	-	196,213
Employee stock options exercised	760	1,823	-	-	-	2,583
Compensation cost of employee stock options	-	19,853	-	-	-	19,853
Cumulative translation adjustments	-	-	-	-	22,109	22,109
Consolidated net income for 2011	-	-	-	67,752	-	67,752
Balance at December 31, 2011	$ 364,906	$ 189,048	$ -	$ 79,274	$ 17,854	$ 651,082
2012						
Balance at January 1, 2012	$ 306,946	$ 189,048	$ -	$ 79,274	$ 17,854	$ 651,082
Distribution of 2012 retained earnings (Note)						
Earnings reserve	-	-	6,821	(6,821)	-	-
Cash dividends	-	-	-	(7,298)	-	(7,298)
Compensation of employee stock options	-	7,126	-	-	-	7,126
Cumulative translation adjustments	-	-	-	-	(26,812)	(26,812)
Consolidated net income for 2012	-	-	-	8,795	-	8,795
Balance at December 31, 2012	$ 364,906	$ 196,174	$ 6,821	$ 73,950	($ 8,958)	$ 632,893

Note: Directors' and supervisors' remuneration of $140 and employees' bonus of $349 for 2011 had been deducted from the 2011 net income.

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

See report of independent accountants dated April 3, 2013.

GCS HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 8,795	$ 67,751
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
(Reversal of) provision of allowance for doubtful accounts	(1,296)	2,585
Depreciation	19,913	9,538
Amortization	2,197	1,335
Loss on market price decline and obsolete inventories	3,527	5,757
Compensation cost of stock options	7,126	19,853
Gain on disposal of property, plant and equipment	(584)	-
Changes in assets and liabilities		
Accounts receivable	(14,047)	10,365
Income tax refundable	(3,893)	(1,640)
Other receivables	(10,691)	318
Prepaid expenses	(1,012)	(286)
Inventories	21,155	(70,528)
Deferred income tax assets, net	591	(15,057)
Accounts payable	29	8,796
Income tax payable	(1,228)	(5,274)
Accrued expenses	(21,674)	29,297
Receipts in advance	(1,813)	(1,179)
Net cash provided by operating activities	7,095	61,631
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in other financial assets - current	3,139	(1,429)
Increase in other financial assets - non-current	(1,439)	(710)
Acquisition of property, plant and equipment	(42,003)	(75,236)
Proceeds from disposal of property, plant and equipment	578	-
Acquisition of intangible assets	(15,576)	(3,350)
Net cash provided by investing activities	(55,375)	(80,725)

GCS HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	$ -	$ 196,213
Exercise of employee stock options	-	2,583
Payment of cash dividends	(7,298)	-
Net cash (used in) provided by financing activities	(7,298)	198,796
Effect of changes in exchange rates	(12,093)	11,585
(Decrease) increase in cash and cash equivalents	(67,671)	191,287
Cash and cash equivalents at beginning of year	248,925	57,638
Cash and cash equivalents at end of year	$ 181,254	$ 248,925
Supplemental disclosures of cash flow information		
Cash paid for interest	$ -	$ 119
Cash paid for income tax	$ -	$ 14,527

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

See report of independent accountants dated April 3, 2013.

GCS HOLDINGS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FROM JANUARY 1, 2012 TO DECEMBER 31, 2012 AND 2011

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,

UNLESS STATED OTHERWISE)

1. HISTORY AND ORGANIZATION

1) The Company

GCS Holdings, Inc. (the "Company") was incorporated in Cayman Islands on November 30, 2010, as a holding company for the purpose of registering its shares with the GreTai Securities Market. The Company issued new shares in exchange for 100% of Global Communication Semiconductors, Inc.'s outstanding shares at the exchange ratio of 1 : 5 on December 28, 2010 (merger date). Global Communication Semiconductors, Inc.'s was converted to Global Communication Semiconductors, LLC. in January 2011. After the reorganization, the Company became the parent company of Global Communication Semiconductors, LLC.

The Company and its subsidiary engage in the manufacturing of GaAs wafer and provide GaAs foundry related services. As of December 31, 2012, the Company and its subsidiary had 129 employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company and its subsidiary (collectively referred herein as the "Group") are prepared in conformity with the "Rules Governing the Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China. The Group's significant accounting policies are summarized below:

1) Basis for preparation of consolidated financial statements

A. Principles of consolidation

The Company adopted the Statement of Accounting Standards No. 7, "Consolidated Financial Statements", which requires an entity to consolidate all of the subsidiaries which it owns, directly or indirectly, more than 50% of the voting rights and which it owns, directly or indirectly, less than 50% of the voting rights but has effective control.

Significant inter-company transactions and balances between the Company and its subsidiary are eliminated.

B. Subsidiary included in the consolidated financial statements and their changes:

Investment company	Investee company	Nature of business	Percentage of ownership as of December 31, 2012	2011	Note
The Company	Global Communication Semiconductors, LLC.	GaAs wafer and foundry service	100%	100%	Note

Note: The Company was incorporated on November 30, 2010. On December 28, 2010, the Company issued new shares in exchange for 100% shares of Global Communication Semiconductors, Inc., which was converted into Global Communication Semiconductors, LLC. in January 2011.

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different accounting periods:

Prior to 2012, the accounting period of the Company's subsidiary, Global Communication Semiconductors LLC., was not calendar year. However, the financial statements of the subsidiary have been adjusted to comply with the accounting period of the Company in the consolidated financial statements. The subsidiary had changed its accounting period to calendar year in the year of 2012.

E. Special operating risks from foreign subsidiaries:

None.

F. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company:

None.

G. Contents of subsidiaries' securities issued by the parent company:

None.

H. Information on convertible bonds and stocks issued by subsidiaries:

The Company's subsidiary increased member's equity in the amount of USD 2,400,000 for the year ended December 31, 2011.

2) Translation of financial statements of foreign subsidiaries

The Company maintains its accounts in its functional currency, United States dollars. Assets and liabilities of foreign subsidiaries are translated into New Taiwan dollars using the exchange rates at the balance sheet date, which are US$1 to NT$29.04 and US$1 to NT$30.28 as of December 31, 2012 and 2011, respectively. Equity accounts are translated at historical rates except for beginning retained earnings, which is carried forward from prior year's balance. Dividends are translated at the exchange rates prevailing at the date of declaration. Profit and loss accounts are translated at weighted-average rates for the years ended December 31, 2012 and 2011, respectively, which are US$1 to NT$29.57 and US$1 to NT$29.39, respectively. The resulting translation differences are included in "Cumulative translation adjustments" under stockholders' equity.

3) Foreign currency transactions

A. The accounts of the Company are maintained in United States dollars. Transactions denominated in foreign currencies are translated into functional currencies at the spot exchange rates prevailing at the transaction dates. Foreign currency translation gains or losses are included in the current year's results of operations.

B. Assets and liabilities denominated in foreign currencies are translated into functional currencies at the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from the aforementioned translations are recognized in the current year's results.

4) Criteria for classifying current and non-current assets and liabilities

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as noncurrent assets:

a) Assets arising from operating activities and are expected to be sold or consumed within the operating cycle;

b) Assets held mainly for trading purposes;

c) Assets expected to be realized within twelve months from the balance sheet date;

d) Cash or cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as noncurrent liabilities:

a) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;

b) Liabilities arising mainly from trading activities;

c) Liabilities that are to be paid off within twelve months from the balance sheet date;

d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

5) Cash equivalents

Cash equivalents that meet both of the following criteria which are short-term and highly liquid are classified as cash equivalents.

A. Readily convertible to known amounts of cash;

B. With maturity dates that do not present significant risk of changes in value due to changes in interest rates.

The Company's statement of cash flows is prepared on the basis of cash and cash equivalents.

6) Notes accounts and other receivables

A. Notes and accounts receivable are claims resulting from the sale of goods or services. Other receivables represent claims other than notes and accounts receivable. Notes, accounts and other receivables are recognized initially at fair value and are subsequently remeasured at amortized cost using the effective interest method, less provision for impairment.

B. The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists, a provision for impairment of financial asset is recognized. The amount of impairment loss is determined based on the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the fair value of the asset subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. Such recovery of impairment loss shall not result to the asset's carrying amount greater than its amortized cost where no impairment loss was recognized. Subsequent recoveries of amounts previously written off are recognized in profit or loss.

7) Inventories

The perpetual inventory system is adopted for inventory recognition. Inventories are stated at cost. The cost is determined using the First in, First out method. Fixed manufacturing overhead must be allocated on the basis of the normal capacity of the production equipment. At the end of period, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value, except where it may be appropriate to group similar or related items. The market values of raw materials are determined on the basis of replacement cost. The market values of merchandise, finished goods and work in processes are determined on the basis of net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, net of estimated costs of completion and necessary selling expenses.

8) Property, plant and equipment

A. Property, plant and equipment are stated at cost. Cost includes all expenditures incurred before the assets are placed in service.

B. Depreciation is provided under the straight-line method based on the assets' estimated economic service lives. The estimated economic service lives of property, plant and equipment are set forth below:

Items	Service Lives
Machinery and equipment	7 years
Computer and communication equipment	5 years
Research equipment	7 years
Office equipment	7 ~ 10 years
Leasehold improvements	6 years

C. Maintenance and repairs are expensed as incurred. Significant renewals and improvements are capitalized and depreciated accordingly.

9) Intangible assets

Computer software expenditures are stated at cost and amortized over the estimated life of 3-7 years using the straight-line method.

10) Impairment of non-financial assets

The Company recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered.

11) Pension plan

Under the defined contribution pension plan, the amount contributed is recognized as pension cost as incurred on an accrual basis.

12) Income tax

Provision for income tax includes deferred income tax resulting from temporary differences and loss carryforward. Valuation allowance on deferred tax assets is provided to the extent that it is more likely than not that the tax benefit will not be realized. Over or under provisions of prior years' income tax liabilities are included in the current period's income tax expense.

13) Share-based payment – employee compensation plan

Compensation cost under the share-based employee compensation plan is recognized using the fair value method and recognized during the vesting period of the equity instrument granted.

14) Employees' bonuses and directors' and supervisors' remuneration

Pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such a recognition is required under legal or constructive obligation and those amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as income or expense in the following year.

15) Revenue costs and expenses

Revenues are recognized when the earning process is substantially completed and are realized or realizable. Costs and expenses are recognized as incurred.

16) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses reported during the reporting period. Actual results could differ from those assumptions and estimates.

17) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

In accordance with R.O.C. SFAS No. 41, "Operating Segments", segment information is disclosed in the consolidated financial statements of the Company.

3. CHANGES IN ACCOUNTING PRINCIPLES

1) Notes, accounts and other receivables

Effective January 1, 2011, the Group adopted the amendments to R.O.C. SFAS No. 34, "Financial Instruments: Recognition and Measurement". A provision for impairment (bad debts) of notes, accounts and other receivables is recognized when there is objective evidence that the receivables are impaired. This change in accounting principle had no significant effect on net income and earnings per share for the year ended December 31, 2011.

2) Operating segments

Effective January 1, 2011, the Group adopted the newly issued R.O.C. SFAS No. 41, "Operating Segments" to replace the original R.O.C. SFAS No. 20, "Segment Reporting". This change in accounting principle had no significant effect on net income and earnings per share for the year ended December 31, 2011.

4. DETAILS OF MAJOR ACCOUNTS

1) CASH AND CASH EQUIVALENTS

	December 31, 2012	December 31, 2011
Cash and bank deposits		
Cash on hand	$ 58	$ 61
Checking and savings accounts	135,948	157,850
Cash equivalents		
Money market mutual fund	45,248	91,014
	$ 181,254	$ 248,925

2) ACCOUNTS RECEIVABLE, NET

	December 31, 2012	December 31, 2011
Accounts receivable	$ 91,068	$ 72,454
Less: Allowance for doubtful accounts	(1,490)	(2,881)
Allowance for sales discount and allowance	(799)	(832)
	$ 88,779	$ 68,741

3) INVENTORIES

	December 31, 2012		
	Cost	Allowance	Book Value
Raw materials	$ 82,255	($ 14,809)	$ 67,446
Work in process	57,096	(8,775)	48,321
	$ 139,351	($ 23,584)	$ 115,767

	December 31, 2011		
	Cost	Allowance	Book Value
Raw materials	$ 101,376	($ 16,241)	$ 85,135
Work in process	70,072	(8,825)	61,247
	$ 171,448	($ 25,066)	$ 146,382

Expense and cost incurred on inventories for the years ended December 31, 2012 and 2011 were as follows:

	For the years ended December 31, 2012	For the years ended December 31, 2011
Cost of inventories sold	$ 598,280	$ 625,011
Loss on market price decline	3,527	5,757
Revenue from sale of scraps	(20,810)	(46,762)
Gain on physical inventory count	(6)	(506)
	$ 580,991	$ 583,500

4) PROPERTY, PLANT AND EQUIPMENT

	December 31, 2012		
	Cost	Accumulated Depreciation	Net Book Value
Machinery and equipment	$ 574,332	($ 509,409)	$ 64,923
Computer and communication equipment	5,453	(3,182)	2,271
Research equipment	23,953	(21,795)	2,158
Office equipment	5,688	(4,628)	1,060
Leasehold improvement	170,274	(128,205)	42,069
Construction in progress and prepayments for equipment	7,192	-	7,192
	$ 786,892	($ 667,219)	$ 119,673

	December 31, 2011		
	Cost	Accumulated Depreciation	Net Book Value
Machinery and equipment	$ 588,768	($ 526,425)	$ 62,343
Computer and communication equipment	5,074	(2,776)	2,298
Research equipment	23,958	(22,122)	1,836
Office equipment	5,931	(4,603)	1,328
Leasehold improvements	147,530	(128,229)	19,301
Construction in progress and prepayments for equipment	15,446	-	15,446
	$ 786,707	($ 684,155)	$ 102,552

5) ACCRUED EXPENSES

	December 31,	
	2012	2011
Accrued salary and bonus	$ 20,072	$ 24,000
Accrued unused leave	10,438	11,994
Accrued employees' bonuses and directors' and supervisors' remuneration	-	489
Accrued service fee	2,178	7,257
Other accrued expenses	18,490	28,712
	$ 51,178	$ 72,852

6) PENSION PLAN

The Company's subsidiary has established a 401(K) pension plan ("the Plan") covering substantially all employees. The Plan provides voluntary salary reduction contributions by eligible participants in accordance with Section 401(K) of the Internal Revenue Code, as well as discretionary matching contributions below 15% of employees' salary determined annually by its Board of Directors from the Company's subsidiary to its employees' individual pension accounts.

The pension costs under the defined contribution pension plan for the years ended December 31, 2012 and 2011 were $8,422 and $8,621, respectively.

7) COMMON STOCK

The Company was incorporated on November 30, 2010. On December 28, 2010, the Company issued 30,694,587 new shares with par value of $10 (in New Taiwan dollars) per share with total capital of $306,946 in exchange for 100% ownership of Global Communication Semiconductors, Inc. (subsequently named Global communications semiconductor LLC).

In 2011, the Company issued 5,720,000 new common shares with issuance price of US$1.17 (dollars) per share. In addition, the Company issued 76,000 new shares for the exercise of employees' stock option in 2011. As of December 31, 2012, the contributed capital of the Company was $364,906, consisting of 36,490,587 outstanding shares with par value of $10 (in New Taiwan dollars) per share.

8) CAPITAL RESERVE

Pursuant to the Company's Articles of Incorporation, before the earnings distribution, the Company shall appropriate capital reserve, which may offset losses and earnings distribution.

9) RETAINED EARNINGS

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset losses incurred in previous years and then a special surplus reserve as required by the applicable securities authority under the applicable public company rules in Taiwan. After combining accumulated undistributed earnings in the previous years and setting aside a certain amount of remaining profits of such financial year as a reserve or reserves for development purposes as the Board of Directors may from time to time think fit, subject to the compliance with the Law, the Company shall distribute no less than 10% of the remaining profit in the following sequence:

(a) no more than 15% and no less than 5% as employees' bonus;

(b) no more than 2% as directors' bonus; and

(c) the balance as dividends to the stockholders.

As the Company operates in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans, and cash dividends shall account for at least 10% of the total dividends distributed. Dividends are distributed by stock and by cash. The individuals who are entitled to employee stock dividends may include the employees of the Company's affiliates who meet certain criteria.

B. The appropriation of 2011 earnings had been resolved at the stockholders' meeting on June 28, 2012. Details are summarized below:

	For the year ending December 31, 2011			
		Amount		Dividends per share (in dollars)
Legal reserve	$	6,821	$	-
Cash dividends		7,298		0.20
Total	$	14,119	$	0.20

The stockholders' meeting held on June 28, 2012 also resolved to distribute directors' and supervisors' remuneration amounting to $140 and employees' bonus amounting to $349, respectively. There was no difference in distribution amount resolved between the Board of Directors and at the Stockholders' Meeting.

C. The Company accrued employees' bonus amounting to $140 and directors' remuneration amounting to $349 for the year ended 2011 based on 10% of net income to be distributed and 5% and 2% of the distributed amount as employees' bonus and directors' remuneration, respectively. The estimated employees' bonus and directors' remuneration will be recognized as operating cost or operating expense of the year. If there is a difference between the estimated and actual amounts resolved by the shareholders, the difference shall be recognized as cost or expense in the subsequent year.

D. The Company expects no distribution to be made for the earnings of 2012; therefore, no employees' bonus and directors' remuneration has been accrued. The appropriation of 2012 earnings had not been resolved by the Board of directors and the shareholders.

E. Information on the appropriation of the Company's employees' bonus and directors' and supervisors' remuneration as resolved by the Board of directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

10) SHARE-BASED PAYMENT-EMPLOYEE COMPENSATION PLAN

A. As of December 31, 2012, the Company's share-based payment transactions are set forth below:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting condition	Actual forfeiture rate in the current period	Estimated future forfeiture rate
Employee stock options	2011 (Note 1)	2,207,498 shares	10 years	Note 2	1.68%	4.95%

Note 1 : On December 28, 2010, the merger effective date of the Company and Global Communication Semiconductors, Inc, all outstanding employee stock options of Global Communication Semiconductors, Inc. were cancelled for no consideration. In substitution for canceled options, every five shares of original options were entitled to receive one newly issued option for the Company's common shares with an exercise price of US$1.17 per share. The 5:1 exchange ratio resulted to 1,349,398 new employee stock options.

Note 2： Some employee stock options shall be vested and become exercisable as to 50% of the shares immediately, and the remaining 50% of such shares to be vested in the following year. Some options shall be vested and become exercisable as to 25% of the shares covered on the first anniversary of the vesting commencement date, and the remaining 75% of such shares ratably in equal installments as of the last day of each of the succeeding 36 months.

B. Details of the employee stock options are set forth below:

	For the year ended December 31, 2012	
	Number of shares	Weighted-average exercise price (in US dollars)
Options outstanding at January 1, 2012	2,244,498	$ 1.17
Adjustment of company reorganization	-	-
Increment of company reorganization	-	-
Option outstanding after company reorganization	2,244,498	1.17
Options granted	-	-
Options canceled	(37,000)	1.17
Options exercised	-	-
Options outstanding at end of year	2,207,498	1.17
Options exercisable at end of year	1,524,006	

	For the year ended December 31, 2011	
	Number of shares	Weighted-average exercise price (in US dollars)
Options outstanding at January 1, 2011	$ 1,331,840	$ 1.17
Adjustment of company reorganization	-	-
Increment of company reorganization	17,558	1.17
Option outstanding after company reorganization	1,349,398	1.17
Options granted	1,114,100	1.17
Options canceled	(143,000)	1.17
Options exercised	(76,000)	1.17
Options outstanding at end year	2,244,498	1.17
Options exercisable at end of year	1,125,478	

C. As of December 31, 2012 and 2011, the details of outstanding employee stock options are as follows:

December 31, 2012	
Stock options exercised price (in US Dollars)	Weighted-average expected remaining period
$ 1.17	8.02 years

December 31, 2011	
Stock options exercised price (in US Dollars)	Weighted-average expected remaining period
$ 1.17	9.03 years

D. For the stock options granted with the compensation cost accounted for using the fair value method, the fair value on the granted date is estimated using the Black-Scholes option-pricing model. The weighted-average parameters used in the estimation of the fair value are as follows:

Type of arrangement	Grant day	Fair value (in USD)	Exercise price (in USD)	Expected price volatility	Expected option period (Years)	Expected dividend yield rate	Risk-free interest rate	Fair value per unit (in USD)
Employee stock options	January 2011 (Reissue after reorganization)	$1.31	$1.17	76.33%	1.48-6.05	-	4.83%	$0.52-0.90
Employee stock options	January 2011	1.31	1.17	76.33%	5.75-6.25	-	4.83%	0.89~0.92
Employee stock options	May 2011	1.22	1.17	63.00%	6.08	-	2.51%	0.74
Employee stock options	July 2011	1.22	1.17	63.00%	6.08	-	1.94%	0.73
Employee stock options	October 2011	1.22	1.17	64.00%	6.08	-	1.16%	0.72

E. Expenses incurred on share-based payment transactions are shown below:

	For the year ended December 31, 2012	For the year ended December 31, 2011
Equity-settled	$ 7,126	$ 19,853

11) INCOME TAX

A. Income tax expense calculated at the statutory rate (the federal tax rate is 34%; the state tax rate is 8.84%) and income tax (refundable) payable is reconciled as follows:

	For the year ended December 31, 2012	For the year ended December 31, 2011
Income tax expense calculated at the statutory rate	$ 1,526	$ 33,139
Tax effect of permanent differences	28,607	(12,944)
Tax effect of minimum tax	24	-
Tax effect of loss carryforward	342	(11,032)
Over provision of prior years' income tax	(5,256)	-
Tax effect of valuation allowance	(30,476)	(419)
Income tax benefit	(5,233)	(8,744)
Effect of changes in exchange rates	3,866	(6,287)
Less: Net changes in deferred tax assets and liabilities	(591)	15,057
Tax effect of foreign tax credit	(3,575)	(8,669)
Prepaid income tax	(5,256)	(9,257)
Income tax payable of prior year	5,256	-
Income tax refundable	($ 5,533)	($ 412)
Income tax (refundable) payable - state tax	($ 2,721)	$ 1,228
Income tax refundable - federal tax	($ 2,812)	($ 1,640)

B. Deferred income tax assets and liabilities:

	December 31,			
	2012		2011	
Deferred income tax assets – current	$	21,132	$	61,603
Valuation allowance	(	21,132)	(	24,503)
	$	-	$	37,100
Deferred income tax assets - non-current	$	644,582	$	630,488
Deferred income tax liabilities - non-current	(	24,075)	(	19,385)
Valuation allowance	(	501,183)	(	528,288)
	$	119,324	$	82,815

C. Details of temporary differences and loss carryforwards resulting in deferred income tax assets and liabilities are as follows:

	December 31,			
	2012		2011	
	Amount	Tax effect	Amount	Tax effect
Current items:				
Allowance for inventory obsolescence and decline in market value	$ 23,583	$ 9,393	$ 25,066	$ 9,985
Allowance for sales discount and allowance	799	318	832	332
Allowance for bad debt	1,490	593	2,881	1,148
Accrued unused leave	10,438	4,158	11,994	4,778
Accrued employees' bonus and directors' remuneration	-	-	489	194
263A adjustments	2,931	1,167	4,624	1,842
Deferred revenue	1,385	552	3,107	1,238
Deffered state tax	14,561	4,951	14,666	4,987
Loss carryforwards - federal tax	-	-	109,116	37,099
		21,132		61,603
Valuation allowance		(21,132)		(24,503)
		$ -		$ 37,100
Non-current items:				
Depreciation- federal tax	($ 70,359)	($ 23,922)	($ 57,014)	($ 19,385)
Depreciation- state tax	(2,619)	(153)	13,619	794
Employee stock options	3,577	1,425	3,394	1,352
Loss carryforwards - federal tax	1,669,204	567,530	1,627,336	553,295
Loss carryforwards - state tax	1,054,345	61,468	1,096,814	63,944
Foreign tax credit		14,159		11,103
		620,507		611,103
Valuation allowance		(501,183)		(528,288)
		$ 119,324		$ 82,815

D. As of December 31, 2012, the Company's losses available to be carried forward were as follows:

(1) Federal tax of the United States

Year in which losses incurred (end of tax report date)	Losses available to be carried forward	Unused loss carry forwards	Final year losses can be carried forward (end of tax report date)
1999.6.30	$ 134,193	$ 9,392	2018.12.31
2000.6.30	148,189	148,189	2019. 12.31
2001.6.30	277,319	277,319	2020. 12.31
2002.6.30	318,004	318,004	2021. 12.31
2003.6.30	256,553	256,553	2022. 12.31
2004.6.30	165,641	165,641	2023. 12.31
2005.6.30	157,759	157,759	2024. 12.31
2006.6.30	146,001	146,001	2025. 12.31
2007.6.30	106,669	106,669	2026. 12.31
2008.6.30	63,364	63,364	2027. 12.31
2012.12.31	20,313	20,313	2031. 12.31
	$ 1,794,005	$ 1,669,204	

(2) State tax of California

Year in which losses incurred (end of tax report date)	Losses available to be carried forward	Unused loss carry forwards	Final year losses can be carried forward (end of tax report date)
2001.6.30	$ 141,587	$ 141,587	2020. 12.31
2002.6.30	174,877	174,877	2021. 12.31
2003.6.30	153,904	153,904	2022. 12.31
2004.6.30	99,365	99,365	2023. 12.31
2005.6.30	157,728	157,728	2024. 12.31
2006.6.30	145,978	145,978	2025. 12.31
2007.6.30	106,645	106,645	2026. 12.31
2008.6.30	63,203	63,203	2027. 12.31
2012.12.31	11,058	11,058	2031. 12.31
	$ 1,054,345	$ 1,054,345	

12) EARNINGS PER SHARE

	For the year ended December 31, 2012				
	Amount		Weighted-average outstanding common shares	Earnings per share (in NT dollars)	
	Before tax	After tax	(Note)	Before tax	After tax
Basic earnings per share:					
Consolidated net income	$ 3,562	$ 8,795	36,491	$ 0.10	$ 0.24
Dilutive effect of common stock equivalents:					
Employee compensations	-	-	2,153		
Diluted earnings per share:					
Net income attributable to common stockholders plus dilutive effect of common stock	$ 3,562	$ 8,795	$ 38,644	$ 0.09	$ 0.23

	For the year ended December 31, 2011				
	Amount		Weighted-average outstanding common shares	Earnings per share (in NT dollars)	
	Before tax	After tax	(Note)	Before tax	After tax
Basic earnings per share:					
Consolidated net income	$ 76,495	$ 67,751	33,114	$ 2.31	$ 2.05
Dilutive effect of common stock equivalents:					
Employee compensations	-	-	1,277		
Diluted earnings per share:					
Net income attributable to common stockholders plus dilutive effect of common stock	$ 76,495	$ 67,751	$ 34,391	$ 2.22	$ 1.97

Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would be increased from employees' stock bonus issuance in the weighted-average number of common shares outstanding during the reporting year, which taking into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends (or retained earnings and capital reserve capitalized), the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively.

13) PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION:

Personnel expenses, depreciation and amortization are summarized as follows:

Nature of cost	For the year ended December 31, 2012 Operating cost	Operating expense	Total
Personnel Expenses			
Payroll	$ 208,365	$ 90,815	$ 299,180
Insurance expenses	21,751	18,405	40,156
Pension expenses	-	8,422	8,422
Others	-	655	655
	$ 230,116	$ 118,297	$ 348,413
Depreciation	$ 12,073	$ 7,840	$ 19,913
Amortization	$ 2,180	$ 17	$ 2,197

Nature of cost	For the year ended December 31, 2011 Operating cost	Operating expense	Total
Personnel Expenses			
Payroll	$ 223,400	$ 93,858	$ 317,258
Insurance expenses	19,404	18,013	37,417
Pension expenses	-	8,621	8,621
Others	28	1,955	1,983
	$ 242,832	$ 122,447	$ 365,279
Depreciation	$ 6,576	$ 2,962	$ 9,538
Amortization	$ 1,335	$ -	$ 1,335

5. RELATED PARTY TRANSACTIONS

1) Names of the related parties and their relationship with the Company

Name of Related Party	Relationship with the Company
RF Micro Devices, Inc.	Related party in substance

2) Significant related party transactions and balances

A. Sales

	For the year ended December 31, 2012 Amount	% of net operating revenues	For the year ended December 31, 2011 Amount	% of net operating revenues
RF Micro Devices, Inc.	$ 212,786	26%	$ 298,237	33%

The sales prices were based on mutual agreement and under the normal business course and conditions. The receiving term was within 45 days from the date of sales.

B. Accounts Receivable

	December 31,			
	2012		2011	
	Amount	% of accounts receivable	Amount	% of accounts receivable
RF Micro Devices, Inc.	$ 31,052	26%	$ 40,233	37%

3) The salaries / rewards information of key management

	For the year ended December 31, 2012	For the year ended December 31, 2011
Salaries and bonuses	$ 59,492	$ 48,298
Service execution fees	1,183	1,176
Share-based payment expenses	4,257	9,604
Total	$ 64,932	$ 59,078

A. Salaries and bonuses include regular wages, special responsibility allowances, pensions, severance pay, various bonuses, rewards, etc.

B. Service execution fees include travel or transportation allowances, special expenditures, various allowances, housing and vehicle benefits, etc.

C. Share-based payment expenses were the compensation costs accounted for under R.O.C. SFAS No. 39.

6. PLEDGED ASSETS

As of December 31, 2012 and 2011, the Group's assets pledged as collateral were as follows:

	December 31, 2012		
Asset	2012	2011	Natural
Other financial assets, non - current	$ 6,932	$ 5,493	Rental security deposit of the office and deposit for wastewater treatment

7. COMMITMENTS AND CONTINGENT LIABILITIES

The Company's subsidiary entered into operating lease contracts with Hamazawa Investment Company for its office and plant located in Los Angeles, California, USA. The lease period is from September 2002 to April 2022. As of December 31, 2012, the future minimum rental payments based on the above lease agreements are as follows:

Year	Amount
2013	$ 11,033
2014	12,036
2015	12,036
2016	12,927
2017	13,373
2018 and thereafter	61,960
	$ 123,365

8. SIGNIFICANT CATASTROPHE LOSS

None.

9. SIGNIFICANT SUBSEQUENT EVENTS

None.

10. OTHERS

1) Fair value of financial instruments

Financial Assets	December 31, 2012		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation technique
Financial assets with fair values equal to book values	$ 331,049	$ -	$ 331,049
Financial Liabilities			
Financial liabilities with fair values equal to book values	71,322	-	71,322

Financial Assets	December 31, 2011		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation technique
Financial assets with fair values equal to book values	$ 374,979	$ -	$ 374,979
Financial Liabilities			
Financial liabilities with fair values equal to book values	95,054	-	95,054

The fair values of short-term financial instruments, which include cash and cash equivalent, accounts receivable, accounts receivable - related parties, other financial assets - current, other the financial assets - non-current, accounts payable and accrued expenses are estimated based on the book values recognized in the balance sheets due to their short maturities.

2) Information on interest rate risk positions

As of December 31, 2012 and 2011, the financial assets and liabilities with fair value risk due to fluctuation of interest both amounted to $0. As of December 31, 2012 and 2011, the financial assets with cash flow risk due to fluctuation of interest amounted to $154,574 and $220,362, respectively. As of December 31, 2012 and 2011, the financial liabilities with cash flow risk due to fluctuation of interest both amounted to $0.

3) Procedure of financial risk control and hedge

The Group has undertaken appropriate risk management and control measures in order to identify all the possible risks (including market risk, credit risk, liquidity risk and cash flow risk) and to facilitate effective control and measurement of these risks by the management.

The management of the Group optimizes risk position, maintains suitable current position, and centrally manages all market risks to effectively control all market risks. The above goal takes into consideration the effects of the economy, competition, and market value risks to optimize risk position, maintain suitable current position, and centrally manage all market risks.

4) Information of material financial risk

A. Market risk

The Group's accounts receivable and other receivables are all due in one year. Thus, the market risk is deemed as minimal.

B. Foreign exchange risk

The Group's businesses all involve functional currency operation. Therefore, the foreign exchange risk is deemed as minimal.

C. Credit risk

The Group has lower significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. The maximum loss to the Company is the total book value of accounts receivable.

D. Liquidity risk

The Group's accounts receivable are all due in one year. The Group has adequate working capital generated from its operations; therefore, the Group expects no significant liquidity risk.

11. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

1) Related information of significant transactions

A. Loans to third parties attributed to financing activities:
As of December 31, 2012: None.

B. Endorsement and guarantee to third parties:
As of December 31, 2012: None.

C. The ending balance of securities is summarized as follows:

As of December 31, 2012:

				December 31, 2012				
Securities held by	Marketable securities	Relationship of the securities issuer with the Company	General ledger account	Number of shares (in thousands)	Book value	Ownership (%)	Market value	Remark
GCS Holdings, Inc.	Global Communication Semiconductors, LLC.	Subsidiary accounted for under the equity method	Long-term equity investments accounted for under the equity method	-	$ 499,562	100%	$ 499,562	none

D. Securities for which total buying or selling amount exceeding the lower of NT$100,000 or 20% of the paid-in capital:

For the year ended December 31, 2012: None.

E. Acquisition of real estate with an amount exceeding the lower of NT$100,000 or 20% of the paid-in capital:

For the year ended December 31, 2012: None.

F. Disposal of real estate with an amount exceeding the lower of NT$100,000 or 20% of the paid-in capital:

For the year ended December 31, 2012: None.

G. Purchases from or sales to related parties exceeding NT$100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2012: None.

H. Receivables from related parties exceeding the lower of NT$100,000 or 20% of paid-in capital:

As of December 31, 2012: None.

I. Transaction of Derivative financial instruments:

For the year ended December 31, 2012: None.

2) Related information on investee companies

A. Related information for having significant influence or control over investee companies

As of December 31, 2012:

				Original investment amount		Shares held as at December 31, 2012					
Investor	Investee	Location	Main Activities	Balance at 2012/12/31	Balance at 2011/12/31	No. of Shares (in thousand)	Owner-Ship(%)	Book Value	Net income (loss) of investee	Investment income (loss) recognized by the company	Note
GCS Holdings, Inc.	Global Communication Semiconductors, LLC.	Los Angeles, USA	GaAs wafer and foundry service	$403,975	$403,975	-	100%	$499,562	$ 18,196	$ 18,196	None

B. Information of subsidiaries:

a) Loans to third parties attributed to financial activities:

As of December 31, 2012: None.

b) Endorsement and guarantee to third parties:

As of December 31, 2012: None.

c) The ending balance of securities held by investee companies is summarized as follows:

As of December 31, 2012: None.

d) Securities for which total buying or selling amount exceeding the lower of NT$100,000 or 20% of the paid-in capital:

For the year ended December 31, 2012: None.

e) Acquisition of real estate with an amount exceeding the lower of NT$100,000 or 20% of the paid-in capital:

For the year ended December 31, 2012: None.

f) Disposal of real estate with an amount exceeding the lower of NT$100,000 or 20% of the paid-in capital:

For the year ended December 31, 2012: None.

g) Related party transactions for purchase and sales amount exceeding the lower of NT$100,000 or 20% of the paid-in capital during the year ended December 31, 2012.

				Transactions		Differences in transaction terms compared to third party transactions			Notes / accounts receivable (payable)		
Purchaser/Seller	Counterparty	Relationship with the Company	Purchases / Sales	Amount	Percentage of purchases / sales	Credit Term	Unit Price	Credit Term	Balance	Percentage of total notes/ accounts receivable (payable)	Remark
Global Communication Semiconductors, LLC.	RF Micro Devices, Inc.	Related party	Sales	$212,786	26%	45 days	Not applicable	Not applicable	$ 31,052	26%	-

h) Receivables from related parties exceeding the lower of NT$100,000 or 20% of the paid-in capital:

As of December 31, 2012: None.

i) Transaction of derivative financial instruments:

For the year ended December 31, 2012: None.

3) Investment in Mainland China information

A. Information of investment in Mainland China: None.

B. Material transactions occurred directly or indirectly between the Company and its Mainland China investee: None.

4) The transaction amount between holding company and subsidiaries: None.

12. SEGMENT INFORMATION

In accordance with R.O.C. SFAS No. 41, "Operating Segments", segment information is disclosed as follows.

1) General information

The Group operates business in a single industry. The chief operating decision-maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

2) Measurement of segment information

The chief operating decision-maker assesses the performance of the operating segments based on the pre-tax income. This measurement basis excludes the effects of non-recurring expenditures from the operating segments. This also excludes the effects of equity-settled share-based payments and unrealized gains/losses on financial instruments.

3) Information on segment profit (loss), assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments for the years ended December 31, 2012 and 2011 are as follows:

	For the year ended December 31, 2012			
	Cayman Islands	America	Adjustments and elimination	Consolidated amount
Revenue from external customers	$ -	$ 815,150	$ -	$ 815,150
Inter-segment revenue	-	-	-	-
Total segment revenue	$ -	$ 815,150	$ -	$ 815,150
Segment profit (loss)(Note)	$ 8,795	$ 12,963	($ 18,196)	$ 3,562
Total assets	$ 634,613	$ 597,164	($ 526,177)	$ 705,600

	For the year ended December 31, 2011			
	Cayman Islands	America	Adjustments and elimination	Consolidated amount
Revenue from external customers	$ -	$ 917,429	$ -	$ 917,429
Inter-segment revenue	-	-	-	-
Total segment revenue	$ -	$ 917,429	$ -	$ 917,429
Segment profit (loss)(Note)	$ 67,751	$ 80,667	($ 71,923)	$ 76,495
Total assets	$ 651,082	$ 620,966	($ 522,714)	$ 749,334

Note: Profit (loss) before tax

4) Reconciliation for segment profit (loss), assets and liabilities

The Company and its subsidiary engage in a single industry and the chief operating decision-maker assesses performance and allocates resources of the whole group. The Company is regarded as a single operating segment. Therefore, there is no inter-segment revenue. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the income statement. The amount provided to the chief operating decision-maker with respect to total assets is measured in a manner consistent with that in the balance sheet.

5) Revenue information by category

Breakdown of the revenue from all sources is as follows:

	For the year ended December 31, 2012	For the year ended December 31, 2011
Total Revenue	$ 815,150	$ 917,429

6) Export sales by geographic area

The details of the Group's export sales for the years ended December 31, 2012 and 2011 are as follows:

Area	For the year ended December 31, 2012 Revenue	For the year ended December 31, 2012 Non-current Assets	For the year ended December 31, 2011 Revenue	For the year ended December 31, 2011 Non-current Assets
United States	$ 601,137	$ 136,576	$ 767,873	$ 106,186
Canada	85,870	-	49,771	-
Others	128,143	-	99,785	-
	$ 815,150	$ 136,576	$ 917,429	$ 106,186

7) Information on major customers

A major customer is identified as a party that accounts for more than 10% of the Company's net sales in the period listed below.

Customer	For the year ended December 31, 2012 Amount	For the year ended December 31, 2012 % of sales	For the year ended December 31, 2011 Amount	For the year ended December 31, 2011 % of sales
A	$ 212,786	26%	$ 298,237	33%
B	98,355	12%	133,666	15%
D	85,110	11%	49,772	5%
C	73,472	9%	107,724	12%
	$ 469,723	58%	$ 589,399	65%

13. DISCLOSURES RELATING TO THE ADOPTION OF IFRSs

Pursuant to the regulations of the Financial Supervisory Commission, R.O.C., effective January 1, 2013, a public company whose stock is listed on the Taiwan Stock Exchange Corporation or traded in the GreTai Securities Market should prepare financial statements in accordance with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), and relevant interpretations and interpretative bulletins that are ratified by the Financial Supervisory Commission. The Company discloses the following information in advance prior to the adoption of IFRSs under the requirements of Jin-Guan-Zheng-Shen-Zi Letter No. 0990004943 of the former Financial Supervisory Commission, Executive Yuan, R.O.C., dated February 2, 2010:

Major contents and status of execution of the Company's plan for IFRSs adoption:

1) The Company has formed an IFRSs group headed by the Company's Chief Executive Officer, which is responsible for setting up a plan relative to the Company's transition to IFRSs. The major contents and status of execution of this plan are outlined below:

Working Items for IFRSs Adoption	Status of Execution
a. Formation of an IFRSs group	Completed
b. Setting up a plan relative to the Company's transition to IFRSs	Completed
c. Identification of the differences between current accounting policies and IFRSs	Completed
d. Identification of consolidated entities under the IFRSs framework	Completed
e. Evaluation of the impact of each exemption and option on the Company under IFRS 1 – First-time Adoption of International Financial Reporting Standards	Completed
f. Evaluation of needed information system adjustments	Completed
g. Evaluation of needed internal control adjustments	Completed
h. Establish IFRSs accounting policies	Completed
i. Selection of exemptions and options available under IFRS 1 – First-time Adoption of International Financial Reporting Standards	Completed
j. Preparation of statement of financial position on the date of transition to IFRSs	Completed
k. Preparation of IFRSs comparative financial information for 2012	In process
l. Completion of relevant internal control (including financial reporting process and relevant information system) adjustments	Completed

2) Material differences that may arise between current accounting policies used in the preparation of financial statements and IFRSs and "Rules Governing the Compilation of Financial Statements by Securities Issuers" that will be used in the preparation of financial statements in the future:

The Company uses the IFRSs already ratified currently by the Financial Supervisory Commission and the "Rules Governing the Compilation of Financial Statements by Securities Issuers" that will be applied in 2013 as the basis for evaluation of material differences in accounting policies as mentioned above. However, the Company's current evaluation results may be different from the actual differences that may arise when new issuances of or amendments to IFRSs are subsequently ratified by the Financial Supervisory Commission or relevant interpretations or amendments to the "Rules Governing the Compilation of Financial Statements by Securities Issuers" come in the future.

Material differences identified by the Company that may arise between current accounting policies used in the preparation of financial statements and IFRSs and "Rules Governing the Compilation of Financial Statements by Securities Issuers" that will be used in the preparation of financial statements in the future. The Company has also elected to use certain exemption under rules in IFRS 1, "First-time Adoption of International Financial Reporting Standards", please refer to Note (13)(C). The effects are outlined below:

A) Material differences of adjustments on assets and liabilities on January 1, 2012.

	R.O.C. SFAS	Adjustments	IFRSs	Explanation
Deferred income tax assets - current	$ 37,100	($ 37,100)	$ -	(i)
Construction in progress and prepayments for equipment	15,446	(15,446)	-	(iii)
Construction in progress	-	12,870	12,870	(iii)
Deferred income tax assets - non-current	82,815	56,485	139,300	(i)
Prepayments for equipment	-	2,576	2,576	(iii)
Others	613,973	-	613,973	
Total Assets	749,334	19,385	768,719	
Accrued expenses	72,852	72,852	145,704	(ii)
Deferred income tax liabilities - non-current	-	19,385	19,385	
Others	25,400	-	25,400	
Total liabilities	98,252	22,400	120,652	
Retained earnings	79,274	(3,015)	76,259	(ii)
Others	571,808	-	571,808	
Total stockholders' equity	651,082	(3,015)	648,067	

B) Material differences of adjustments on assets and liabilities on December 31, 2012.

	R.O.C. SFAS	Adjustments	IFRSs	Explanation
Construction in progress and prepayments for equipment	$ 7,192	($ 7,192)	$ -	(iii)
Construction in progress	-	1,324	1,324	(iii)
Deferred income tax assets - non-current	119,324	24,075	143,399	(i)
Prepayments for equipment	-	5,868	5,868	(iii)
Others	579,084	-	579,084	
Total Assets	705,600	24,075	729,675	
Accrued expenses	51,178	4,414	55,592	(ii)
Deferred income tax liabilities - non-current	-	24,075	24,075	
Others	21,529	-	21,529	
Total liabilities	72,707	28,489	101,196	
Retained earnings	73,950	(4,414)	69,536	(ii)
Others	558,943	-	558,943	
Total stockholders' equity	632,893	(4,414)	628,479	

C) Material differences of adjustments on profit and loss for the year ended December 31, 2012.

	R.O.C. SFAS	Adjustments	IFRSs	Explanation
Operating revenues	$ 815,150	$ -	$ 815,150	
Operating costs	(580,991)	-	(580,991)	
Operating expenses	(232,595)	(1,768)	(234,363)	(ii)
Operating income (loss)	1,564	(1,768)	(204)	
Non-operating revenues and income / expenses and loss	1,998	-	1,998	
Income before income tax	3,562	(1,768)	1,794	
Income tax benefit	5,233	-	5,233	
Consolidated net income	8,795	(1,768)	7,027	

Explanation for adjustments:

(i) In accordance with current accounting standards in the R.O.C., a deferred tax asset or liability should according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting should be classified as current or noncurrent according to the expected time period to realize or settle a deferred tax asset or liability. However, under IAS 1, "Presentation of Financial Statements", an entity should not classify a deferred tax asset or liability as current. Accordingly, the Company should reclassify the account "deferred income tax assets" from current to non-current on the transition date.

In accordance with current accounting standards in the R.O.C., when evidence shows that part or whole of the deferred tax asset with 50% probability or above will not be realized, an entity should reduce the amount of deferred tax asset by adjusting the valuation allowance account. In accordance with IAS 12, "Income Taxes", a deferred tax asset should be recognized if, and only if, it is considered highly probably that it will be realized. Therefore, the Company reclassifies the account "deferred income tax assets" from current to non-current and calculated the effect of deferred income tax assets between R.O.C. and IFRS. The Company increased deferred income tax assets - non-current and decreased deferred income tax assets - current in the amount of $37,100 on the transition date.

(ii) In accordance with current accounting standards in the R.O.C., for the Company's long-term lease contracts with variable rents which are adjusted year by year, the lease payment is recognized as an expense for each term based on each term's rent agreement. However, in accordance with IAS 17, "Leases", all lease payments stipulated in the lease contracts should be recognized as an expense over the lease term on a straight-line basis. Therefore, the Company increased accrued expenses and decreased retained earnings in the amount of $3,015 on transition date. Also, the Company increased accrued expenses in the amount of $4,414, decreased retained earnings of $3,015 and increased operating expenses of $1,768 in 2012.

(iii) Construction in progress and prepayments for equipment

In accordance with current accounting standards in the R.O.C., the prepayment for acquiring equipment is disclosed as fixed assets. However, in accordance with IFRSs, the prepayment should be disclosed as other assets - non-current. The amount of construction in progress and prepayments for equipment that was reclassified into construction in progress on January 1, 2012 and December 31, 2012 were $12,870 and $1,324, respectively. The amount that reclassified into prepayments for equipment on January 1, 2012 and December 31, 2012 were \$2,576 and \$5,868, respectively.

3) The Group elected to use the following exemptions in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and "Rules Governing the Preparation of Financial Reporting Statement by Securities Issuers" effective in 2013.

Lease

The Group adopted IFRIC 4, "Determining whether an Arrangement Contains a Lease". Therefore, the Group determines whether an arrangement existing at the opening IFRS balance sheet date contains a lease based on the facts and circumstances on that date.

Some of the above differences may not have a material effect on the Group in transition to IFRSs due to the exemption rules in IFRS 1, "First-time Adoption of International Financial Reporting Standards", adopted by the Group.