

**GCS HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2013 AND 2012**

REPORT OF INDEPENDENT ACCOUNTANTS

PWCR13000179

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

We have audited the accompanying consolidated balance sheets of GCS Holdings, Inc. and its subsidiary (the “Group”) as of December 31, 2013, December 31, 2012 and January 1 2012, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years ended December 31, 2013 and 2012, expressed in thousands of New Taiwan dollars. These consolidated financial statements are the responsibility of the Group’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 “Regulations Governing Auditing and Attestation 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, 2013, December 31, 2012 and January 1, 2012, and the results of their financial performance and their cash flows for the years ended December 31, 2013 and 2012 in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission of the Republic of China.

March 14, 2014

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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, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

<u>ASSETS</u>	<u>Notes</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Current assets				
Cash and cash equivalents	6(1)	\$ 291,914	\$ 181,254	\$ 248,925
Accounts receivable - net	6(2)	112,594	88,779	68,741
Accounts receivable - related parties	6(2) and 7	19,437	31,052	40,233
Other receivables		14,828	16,693	6,002
Current income tax assets		2,664	5,533	1,640
Inventories	6(3)	132,018	115,767	146,382
Prepayments		3,522	2,884	1,872
Other current assets		<u>1,077</u>	<u>806</u>	<u>3,945</u>
Total current assets		<u>584,054</u>	<u>442,768</u>	<u>517,740</u>
Non-current assets				
Property, plant and equipment	6(4)	159,957	113,805	99,976
Intangible assets		29,769	16,903	3,634
Deferred income tax assets	6(16)	185,187	143,399	139,300
Other non-current assets	8	<u>12,472</u>	<u>12,800</u>	<u>8,069</u>
Total non-current assets		<u>387,385</u>	<u>286,907</u>	<u>250,979</u>
Total assets		<u>\$ 965,439</u>	<u>\$ 729,675</u>	<u>\$ 768,719</u>

(Continued)

GCS HOLDINGS INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

<u>LIABILITIES AND EQUITY</u>	<u>Notes</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Current liabilities				
Accounts payable		\$28,406	\$20,144	\$20,974
Other payables	6(5)	87,359	55,592	75,867
Current income tax liabilities		914	-	1,228
Other current liabilities	6(6)	<u>12,067</u>	<u>1,385</u>	<u>3,198</u>
Total current liabilities		<u>128,746</u>	<u>77,121</u>	<u>101,267</u>
Non-current liabilities				
Deferred income tax liabilities	6(16)	45,860	24,075	19,385
Other non-current liabilities	6(6)	<u>23,684</u>	<u>-</u>	<u>-</u>
Total non-current liabilities		<u>69,544</u>	<u>24,075</u>	<u>19,385</u>
Total liabilities		<u>198,290</u>	<u>101,196</u>	<u>120,652</u>
Equity attributable to owners of parent				
Share capital				
Common stock	6(9)	369,736	364,906	364,906
Capital surplus				
Capital surplus	6(8) (10)	209,042	196,174	189,048
Retained earnings				
Special reserve	6(11)	6,821	6,821	-
Unappropriated retained earnings		180,684	69,536	76,259
Other equity items				
Other equity items	6(12)	<u>866</u>	<u>(8,958)</u>	<u>17,854</u>
Equity attributable to owners of the parent		<u>767,149</u>	<u>628,479</u>	<u>648,067</u>
Total equity		<u>767,149</u>	<u>628,479</u>	<u>648,067</u>
SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS				
TOTAL LIABILITIES AND EQUITY	9	<u>\$ 965,439</u>	<u>\$ 729,675</u>	<u>\$ 768,719</u>

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

GCS HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

Items	Note	2013		2012	
		Amount	%	Amount	%
4000 Sales	6(13) and 7	\$ 1,047,931	100	\$ 815,150	100
5000 Cost of goods sold	6(3)(14)	(627,288)	(60)	(580,991)	(71)
5900 Net operating margin		<u>420,643</u>	<u>40</u>	<u>234,159</u>	<u>29</u>
Operating expenses	6(14)(15)				
6100 Sales and marketing expenses		(20,690)	(2)	(18,561)	(2)
6200 General and administrative expenses		(174,965)	(16)	(110,341)	(14)
6300 Research and development expenses		(124,602)	(12)	(105,461)	(13)
6000 Total Operating Expenses		<u>(320,357)</u>	<u>(30)</u>	<u>(234,363)</u>	<u>(29)</u>
6900 Operating profit		<u>100,386</u>	<u>10</u>	<u>(204)</u>	<u>-</u>
Non-operating revenue and expenses					
7010 Other income		73	-	122	-
7020 Other expenses and losses		2,328	-	1,876	-
7050 Finance cost		(353)	-	-	-
7000 Total non-operating revenue and expenses		<u>2,048</u>	<u>-</u>	<u>1,998</u>	<u>-</u>
7900 Profit before income tax		<u>102,434</u>	<u>10</u>	<u>1,794</u>	<u>-</u>
7950 Income tax benefit	6(16)	<u>9,083</u>	<u>1</u>	<u>5,233</u>	<u>1</u>
8200 Profit for the year		<u>\$ 111,517</u>	<u>11</u>	<u>\$ 7,027</u>	<u>1</u>
Other comprehensive income					
8310 Financial statements translation differences of foreign operations	6(12)	\$ 17,032	1	(\$ 26,443)	(3)
8500 Total comprehensive income (loss) for the year		<u>\$ 128,549</u>	<u>12</u>	<u>(\$ 19,416)</u>	<u>(2)</u>
Gross profit attributable to:					
8610 Owners of the parent		<u>\$ 111,517</u>	<u>11</u>	<u>\$ 7,027</u>	<u>1</u>
Comprehensive income (loss) attributable to:					
8710 Owners of the parent		<u>\$ 128,549</u>	<u>12</u>	<u>(\$ 19,416)</u>	<u>(2)</u>
Basic earnings per share					
9750 Total basic earnings per share (in dollars)	6(17)	<u>\$</u>	<u>3.06</u>	<u>\$</u>	<u>0.19</u>
Diluted earnings per share					
9850 Total diluted earnings per share (in dollars)	6(17)	<u>\$</u>	<u>3.04</u>	<u>\$</u>	<u>0.19</u>

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

GCS HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED TO DECEMBER 31, 2013 AND 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Note	Equity attributable to owners of the parent						Total
		Common Stock	Capital Surplus	Retained Earnings		Other Equity		
				Special Reserve	Unappropriated Earnings	Translation Differences of Foreign Operations	Other equity - others	
2012								
Balance at January 1, 2012		\$ 364,906	\$ 189,048	\$ -	\$ 76,259	\$ 17,854	\$ -	\$ 648,067
Distribution of 2011 retained earnings								
Earnings reserve	6(11)	-	-	6,821	(6,821)	-	-	
Cash dividends	6(11)	-	-	-	(7,298)	-	-	(7,298)
Compensation cost of employee stock options	6(10)	-	7,126	-	-	-	-	7,126
Consolidated net income for 2012	6(11)	-	-	-	7,027	-	-	7,027
Other comprehensive loss	6(12)	-	-	-	-	(26,443)	-	(26,443)
Balance at December 31, 2012		<u>\$ 364,906</u>	<u>\$ 196,174</u>	<u>\$ 6,821</u>	<u>\$ 69,167</u>	<u>(\$ 8,589)</u>	<u>\$ -</u>	<u>\$ 628,479</u>
2013								
Balance at January 1, 2013		\$ 364,906	\$ 196,174	\$ 6,821	\$ 69,167	(\$ 8,589)	\$ -	\$ 628,479
Compensation cost of employee stock options	6(10)(12)	-	7,213	-	-	-	2,908	10,121
Consolidated net income for 2013	6(11)	-	-	-	111,517	-	-	111,517
Other comprehensive income	6(12)	-	-	-	-	17,032	-	17,032
Issuance of restricted stocks to employees	6(9)(10)	<u>4,830</u>	<u>5,655</u>	-	-	-	(10,485)	-
Balance at December 31, 2013		<u>\$ 369,736</u>	<u>\$ 209,042</u>	<u>\$ 6,821</u>	<u>\$ 180,684</u>	<u>\$ 8,443</u>	<u>(\$ 7,577)</u>	<u>\$ 767,149</u>

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

GCS HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Note	2013	2012
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Income before income tax	6(11)	\$ 102,434	\$ 1,794
Adjustments to reconcile income before income tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Allowance for doubtful accounts (reversal to revenue)	6(2)	46,922	(1,296)
Depreciation	6(4)(14)	24,674	19,913
Amortization	6(14)	5,068	2,197
Interest expense		353	-
Interest income		(72)	(122)
Gain on disposal of property, plant and equipment		(2,339)	(584)
Compensation cost of stock options	6(8)	10,121	7,126
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable		(68,583)	(14,047)
Accounts receivable – related parties		12,434	-
Other receivables		2,306	(10,691)
Inventories		(13,170)	24,682
Prepaid expenses		(638)	(1,012)
Net changes in liabilities relating to operating activities			
Accounts payable		7,731	29
Other payables		30,185	(20,275)
Other current liabilities		10,604	(1,813)
Cash provided by operations		168,030	5,901
Interest received		72	122
Interest paid		(353)	-
Income tax paid		(3,797)	(4,399)
Net cash provided by operating activities		<u>163,952</u>	<u>1,624</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(19)	(\$ 38,274)	(\$ 36,209)
Proceeds from disposal of property, plant and equipment		2,375	578
Acquisition of intangible assets		(17,509)	(15,576)
Decrease (increase) in other non-current assets		666	(7,307)
(Increase) decrease in refundable deposits		(271)	3,139
Net cash used in investing activities		<u>(53,013)</u>	<u>(55,375)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Payment of cash dividends		-	(7,298)
Net cash used in financing activities		<u>-</u>	<u>(7,298)</u>
Effect of changes in exchange rates		(279)	(6,622)
Increase (Decrease) in cash and cash equivalents		110,660	(67,671)
Cash and cash equivalents at beginning of year	6(1)	<u>181,254</u>	<u>248,925</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 291,914</u>	<u>\$ 181,254</u>

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

GCS HOLDINGS, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FROM JANUARY 1, 2013 AND 2012 TO DECEMBER 31, 2013 AND 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

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. 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 (GCS LLC).

The Company and its subsidiary engage in the manufacturing of GaAs wafer and provide GaAs foundry related services.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 14, 2014.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs) as endorsed by the Financial Supervisory Commission (“FSC”)

Not applicable as it is the first-time adoption of IFRSs by the Group this year.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

IFRS 9, ‘Financial Instruments: Classification and measurement of financial instruments’

A. The International Accounting Standards Board (“IASB”) published IFRS 9, ‘Financial Instruments’, in November 2009, which will take effect on January 1, 2013 with early application permitted. Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 (“IAS 39”), ‘Financial Instruments: Recognition and Measurement’ reissued in 2009.

B. IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments, which might affect the accounting treatments for financial instruments of the Group.

C. The Group has not yet evaluated the overall effect of the IFRS 9 adoption. However, after the initial assessment may have no material impact on the Group.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

A. The following are the new standards and amendments issued by IASB that are effective but not yet endorsed by the FSC and have not been adopted by the Group:

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparer received in IFRS 7, 'Financial Instruments: Disclosures' and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	January 1, 2011
IFRS 9, 'Financial instruments: Classification and measurement of financial liabilities'	IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognising the liabilities; and all other changes in fair value are recognised in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. (That determination is made at initial recognition and is not reassessed subsequently.)	November 19, 2013 (Not mandatory)
Disclosures - transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in transferred assets, existing at the reporting date.	July 1, 2011

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	When an entity's date of transition to IFRSs is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to IFRSs. First time adopters are allowed to apply the derecognition requirements in IAS 39, 'Financial instruments: Recognition and measurement', prospectively from the date of transition to IFRSs, and they are allowed not to retrospectively recognise related gains on the date of transition to IFRSs.	July 1, 2011
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes—recovery of revalued non-depreciable assets'.	January 1, 2012
IFRS 10, 'Consolidated financial statements'	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.	January 1, 2013
IFRS 11, 'Joint arrangements'	Judgments applied when assessing the types of joint arrangements-joint operations and joint ventures, the entity should assess the contractual rights and obligations instead of the legal form only. The standard also prohibits the proportional consolidation for joint ventures.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IFRS 12, 'Disclosure of interests in other entities'	The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	January 1, 2013
IAS 27, 'Separate financial statements' (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, 'Consolidated financial statements'.	January 1, 2013
IAS 28, 'Investments in associates and joint ventures' (as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11, 'Joint arrangements', IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	January 1, 2013
IFRS 13, 'Fair value measurement'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013
IAS 19 revised, 'Employee benefits' (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past-service costs will be recognised immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expenses, is recognised in other comprehensive income.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	July 1, 2012
IFRIC 20, ‘Stripping costs in the production phase of a surface mine’	Stripping costs that meet certain criteria should be recognised as the ‘stripping activity asset’. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the entity shall account for the costs of that stripping activity in accordance with IAS 2, ‘Inventories’.	January 1, 2013
Disclosures—Offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of ‘currently has a legally enforceable right to set off the recognised amounts’; and (ii) that some gross settlement mechanisms with certain features may be considered equivalent to net settlement.	January 1, 2014
Government loans (amendment to IFRS 1)	The amendment provides exception to first-time adopters to apply the requirements in IFRS 9, ‘Financial instruments’, and IAS 20, Accounting for government grants and disclosure of government assistance’, prospectively to government loans that exist at the date of transition to IFRSs; and first-time adopters should not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Improvements to IFRSs 2009-2011	Amendments to IFRS 1 and IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2011
Consolidated financial statements, joint arrangements and disclosure of interests in other Entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define 'Investment Entities' and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit or loss instead of consolidating them.	January 1, 2014
IFRIC 21, 'Levies'	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognised in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets'.	January 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being novated complies with specified criteria.	January 1, 2014
IFRS 9 "Financial assets: hedge accounting" and amendments to IFRS9, IFRS7 and IAS39	1. IFRS 9 relaxes the requirements for hedged items and hedging instruments and removes the bright line of effectiveness to better align hedge accounting with the risk management activities of an entity. 2. An entity can elect to early adopt the requirement to recognise the changes in fair value attributable to changes in an entity's own credit risk	November 19, 2013 (Not mandatory)

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
	from financial liabilities that are designated under the fair value option in 'other comprehensive income'.	
Services related contributions from employees or third parties (amendments to IAS 19R)	The amendment allows contributions from employees or third parties that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.	July 1, 2014
Improvements to IFRSs 2010-2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.	July 1, 2014
Improvements to IFRSs 2011-2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	July 1, 2014

B. The Group is assessing the potential impact of the new standards and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. These consolidated financial statements are the first consolidated financial statements prepared by the Group in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

B. In the preparation of the balance sheet of January 1, 2012 (the Group's date of transition to IFRSs) ("the opening IFRS balance sheet"), the Group has adjusted the amounts that were reported in the consolidated financial statements in accordance with previous R.O.C. GAAP. Please refer to Note 15 for the impact of transitioning from R.O.C. GAAP to IFRSs on the Group's financial position, financial performance and cash flows.

(2) Basis of preparation

- A. These consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main Business Activities	Ownership			Description
			December 31, 2013	December 31, 2012	January 1, 2012	
The Company	Global Communication Semiconductors, LLC.	GaAs wafer and foundry service	100%	100%	100%	

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates:

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. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is United States dollars; however, the consolidated financial statements are presented in New Taiwan dollars under the regulations of the country where the consolidated financial statements are reported to the regulatory authorities.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and 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 non-current liabilities:

(a) Liabilities 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. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

(7) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, since the short-term accounts receivable bear no interest, considering the discounting effects would not be significant, the Group subsequently measures those receivables at the invoice amount.

(8) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired 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 or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) It becomes probable that the borrower will enter bankruptcy or other financial reorganization.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the

asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(9) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each significant part of an item of property, plant and equipment is required to be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Machinery and equipment	7 years
Computer and communication equipment	5 years
Research equipment	7 years
Office equipment	7 ~10 years
Leased asset	7 years
Leasehold improvements	6 years

(12) Leased assets/leases (lessee)

- A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset.

- (a) A finance lease is recognised as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.
- (b) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.
- (c) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.

B. An operating lease is a lease other than a finance lease. Payments made under an operating lease are recognised in profit or loss on a straight-line basis over the lease term.

(13) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 to 7 years.

(14) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognised in profit or loss.

(15) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method. However, since the short-term accounts payable bear no interest, considering the discounting effects would not be significant, the Group subsequently measures those payables at the invoice amount.

(16) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(17) Offsetting financial instruments

Financial assets and liabilities are offset and reported at net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(18) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes termination benefits when it is demonstrably committed to a termination, when it has a detailed formal plan to terminate the employment of current employees and when it can no longer withdraw the plan. In the case of an offer made by the Group to encourage voluntary termination of employment, the termination benefits are recognised as expenses only when it is probable that the employees are expected to accept the offer and the number of the employees taking the offer can be reliably estimated. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

D. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates. The Group calculates the number of shares of employees' stock bonus based on the fair value per share estimated using a valuation technique specified in IFRS 2, "Share-based Payment", after taking into account the effects of ex-rights and ex-dividends.

(19) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks issued by the Group to employees: Restricted stocks issued by the Group to employees: :

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(20) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(21) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(22) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares and share premium on the effective date of new shares issuance.

(23) Revenue recognition

A. Sales of goods

The Group engages in manufacturing of GaAs wafer and provide GaAs foundry related services. Revenue is measured at the fair value of the consideration received or receivable taking into account returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the

transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. Service revenue and royalty income

Service revenue and royalty income are recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. The revenue is accounted for under the accrual basis.

(24) 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, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Judgments and estimates are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

(1) Critical judgments in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Realizability of deferred income tax assets

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Assessment of the realizability of deferred income tax assets involves critical accounting judgments and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

As of December 31, 2013, the Group recognised deferred income tax assets amounting to \$185,187.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine

the net realizable value of inventories on balance sheet date using judgments and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2013, the carrying amount of inventories was \$132,018.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Cash on hand and petty cash	\$ 59	\$ 58	\$ 61
Checking accounts and demand deposits	193,233	135,948	157,850
Cash equivalents – money market	<u>98,622</u>	<u>45,248</u>	<u>91,014</u>
Total	<u>\$ 291,914</u>	<u>\$ 181,254</u>	<u>\$ 248,925</u>

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. The Group has no cash and cash equivalents pledged to others.

(2) Accounts receivable, net

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Accounts receivable - third parties	\$ 162,133	\$ 91,068	\$ 72,454
Less: Allowance for doubtful accounts	(48,635)	(1,490)	(2,881)
Allowance for sales discount and allowance	<u>(904)</u>	<u>(799)</u>	<u>(832)</u>
	112,594	88,779	68,741
Accounts receivable - related parties	<u>19,437</u>	<u>31,052</u>	<u>40,233</u>
	<u>\$ 132,031</u>	<u>\$ 119,831</u>	<u>\$ 108,974</u>

A. The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Group 1	\$ 67,703	\$ 30,090	\$ 47,419
Group 2	41,820	55,449	29,428
Group 3	<u>4,297</u>	<u>3,869</u>	<u>9,156</u>
	<u>\$ 113,820</u>	<u>\$ 89,408</u>	<u>\$ 86,003</u>

Group 1 : Annual sales transactions exceed US\$ 2.5 million.

Group 2 : Annual sales transactions exceed US\$ 100 thousands, but less than US\$ 2.5 million

Group 3 : Annual sales transactions less than US\$ 100 thousands

B. The aging analysis of accounts receivable that were past due but not impaired is as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Up to 30 days	\$ 15,965	\$ 24,193	\$ 18,953
31 to 60 days	2,138	6,207	1,489
61 to 90 days	108	-	2,529
Over 90 days	<u>-</u>	<u>23</u>	<u>-</u>
	<u>\$ 18,211</u>	<u>\$ 30,423</u>	<u>\$ 22,971</u>

C. Analysis of movement of impaired accounts receivable:

(a) As of December 31, 2013, December 31, 2012 and January 1, 2012, the Group's accounts receivable that were impaired amounted to \$48,635, \$1,490 and \$2,881, respectively.

(b) Movements on the Group provision for impairment of accounts receivable are as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
At January 1,	\$ 1,490	\$ 2,881
Provision of impairment	46,922	(1,296)
Exchange effects	<u>223</u>	<u>(95)</u>
At December 31,	<u>\$ 48,635</u>	<u>\$ 1,490</u>

D. The maximum exposure to credit risk at December 31, 2013, December 31, 2012 and January 1, 2012 was the carrying amount of each class of accounts receivable.

E. The Group does not hold any collateral as security.

(3) Inventories

	<u>December 31, 2013</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book Value</u>
Raw materials	\$ 78,075	(\$ 13,857)	\$ 64,218
Work in process	77,562	(17,216)	60,346
Finished goods	<u>7,454</u>	<u>-</u>	<u>7,454</u>
	<u>\$ 163,091</u>	<u>(\$ 31,073)</u>	<u>\$ 132,018</u>

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

	<u>January 1, 2012</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Book Value</u>
Raw materials	\$ 101,376	(\$ 16,241)	\$ 85,135
Work in process	<u>70,072</u>	<u>(8,825)</u>	<u>61,247</u>
	<u>\$ 171,448</u>	<u>(\$ 25,066)</u>	<u>\$ 146,382</u>

Expense and cost incurred on inventories for the years ended December 31, 2013 and 2012 were as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Cost of inventories sold	\$ 664,700	\$ 598,280
Loss on market price decline	8,198	3,527
Revenue from sale of scraps	(45,671)	(20,810)
Loss (gain) on physical inventory count	<u>61</u>	<u>(6)</u>
	<u>\$ 627,288</u>	<u>\$ 580,991</u>

(4) Property, plant and equipment

	<u>Machinery and equipment</u>	<u>Computer and communication equipment</u>	<u>Research equipment</u>	<u>Office equipment</u>	<u>Leased asset</u>	<u>Leasehold improvements</u>	<u>Total</u>
At January 1, 2013							
Cost	\$ 574,332	\$ 5,453	\$ 23,953	\$ 5,688	\$ -	\$ 171,598	\$ 781,024
Accumulated depreciation and impairment	(<u>509,409</u>)	(<u>3,182</u>)	(<u>21,795</u>)	(<u>4,628</u>)	-	(<u>128,205</u>)	(<u>667,219</u>)
	<u>\$ 64,923</u>	<u>\$ 2,271</u>	<u>\$ 2,158</u>	<u>\$ 1,060</u>	<u>\$ -</u>	<u>\$ 43,393</u>	<u>\$ 113,805</u>
<u>2013</u>							
Opening net book amount	\$ 64,923	\$ 2,271	\$ 2,158	\$ 1,060	\$ -	\$ 43,393	\$ 113,805
Additions	12,331	1,510	136	-	30,904	22,816	67,697
Disposals	(36)	-	-	-	-	-	(36)
Depreciation charge	(13,285)	(833)	(426)	(219)	(1,059)	(8,852)	(24,674)
Net exchange differences	<u>1,829</u>	<u>63</u>	<u>55</u>	<u>27</u>	<u>-</u>	<u>1,191</u>	<u>3,165</u>
Closing net book amount	<u>\$ 65,762</u>	<u>\$ 3,011</u>	<u>\$ 1,923</u>	<u>\$ 868</u>	<u>\$ 29,845</u>	<u>\$ 58,548</u>	<u>\$ 159,957</u>
At december 31, 2013							
Cost	\$ 572,384	\$ 7,113	\$ 24,720	\$ 5,838	\$ 30,904	\$ 199,023	\$ 839,982
Accumulated depreciation and impairment	(<u>506,622</u>)	(<u>4,102</u>)	(<u>22,797</u>)	(<u>4,970</u>)	(<u>1,059</u>)	(<u>140,475</u>)	(<u>680,025</u>)
	<u>\$ 65,762</u>	<u>\$ 3,011</u>	<u>\$ 1,923</u>	<u>\$ 868</u>	<u>\$ 29,845</u>	<u>\$ 58,548</u>	<u>\$ 159,957</u>

	<u>Machinery and equipment</u>	<u>Computer and communication equipment</u>	<u>Research equipment</u>	<u>Office equipment</u>	<u>Leased asset</u>	<u>Leasehold improvements</u>	<u>Total</u>
At January 1, 2012							
Cost	\$ 588,768	\$ 5,074	\$ 23,958	\$ 5,931	\$ -	\$ 160,400	\$ 784,131
Accumulated depreciation and impairment	(<u>526,425</u>)	(<u>2,776</u>)	(<u>22,122</u>)	(<u>4,603</u>)	<u>-</u>	(<u>128,229</u>)	(<u>684,155</u>)
	<u>\$ 62,343</u>	<u>\$ 2,298</u>	<u>\$ 1,836</u>	<u>\$ 1,328</u>	<u>\$ -</u>	<u>\$ 32,171</u>	<u>\$ 99,976</u>
<u>2012</u>							
Opening net book amount	\$ 62,343	\$ 2,298	\$ 1,836	\$ 1,328	\$ -	\$ 32,171	\$ 99,976
Additions	15,392	758	976	-	-	19,083	36,209
Disposals	-	(5)	-	-	-	11	6
Reclassifications	1,264	-	-	-	-	(2,471)	(1,207)
Depreciation charge	(11,735)	(698)	(590)	(218)	-	(6,672)	(19,913)
Net exchange differences	(<u>2,341</u>)	(<u>82</u>)	(<u>64</u>)	(<u>50</u>)	<u>-</u>	(<u>1,271</u>)	(<u>1,266</u>)
Closing net book amount	<u>\$ 64,923</u>	<u>\$ 2,271</u>	<u>\$ 2,158</u>	<u>\$ 1,060</u>	<u>\$ -</u>	<u>\$ 43,393</u>	<u>\$ 113,805</u>
At december 31, 2012							
Cost	\$ 574,332	\$ 5,453	\$ 23,953	\$ 5,688	\$ -	\$ 171,598	\$ 781,024
Accumulated depreciation and impairment	(<u>509,409</u>)	(<u>3,182</u>)	(<u>21,795</u>)	(<u>4,628</u>)	<u>-</u>	(<u>128,205</u>)	(<u>667,219</u>)
	<u>\$ 64,923</u>	<u>\$ 2,271</u>	<u>\$ 2,158</u>	<u>\$ 1,060</u>	<u>\$ -</u>	<u>\$ 43,393</u>	<u>\$ 113,805</u>

(5) Accrued expenses

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Accrued salary and bonus	\$ 32,157	\$ 20,072	\$ 24,400
Accrued employees' bonuses and directors' and supervisors' remuneration	1,679	-	489
Accrued unused leave	10,281	10,438	11,994
Accrued rent fee	6,698	4,414	3,015
Accrued miscellaneous expenses	6,153	3,263	3,878
Accrued utilities	1,604	1,177	1,441
Accrued service fee	5,549	4,631	15,710
Others	<u>23,238</u>	<u>11,597</u>	<u>14,940</u>
	<u>\$ 87,359</u>	<u>\$ 55,592</u>	<u>\$ 75,867</u>

(6) Finance lease liabilities

The Group leases machinery and equipment assets under finance lease in May 2013. Based on the terms of the lease contracts, the Group has the option to purchase the leased machinery and equipment at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable when the leases expire:

	<u>December 31, 2013</u>		
	<u>Total finance lease liabilities</u>	<u>Future finance charges</u>	<u>Present value of finance lease liabilities</u>
<u>Current</u>			
Not later than one year (shown as 'other current liabilities')	<u>\$ 6,861</u>	<u>(\$ 1,122)</u>	<u>\$ 5,739</u>
<u>Non-current</u>			
Later than one year but not later than five years (shown as 'other non-current liabilities')	<u>25,630</u>	<u>(1,946)</u>	<u>23,684</u>
	<u>\$ 32,491</u>	<u>(\$ 3,068)</u>	<u>\$ 29,423</u>

(7) 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 Company's subsidiary has not adopted the Plan in accordance with IRC 401K until August 2010.

The pension costs under the defined contribution pension plan for the years ended December 31, 2013 and 2012 were \$8,462 and \$8,422, respectively.

(8) Share-based payment-employee compensation plan

A. As of December 31, 2013 and 2012 the Group's share-based payment transactions are set forth below:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract Period</u>	<u>Vesting Condition</u>
Employee stock options	January to October 2011	2,463,498 shares	10 years	(Note 1)
Employee stock options	April 2013	1,538,000 shares	10 years	(Note 2)
Employee stock options	August 2013	7,830 shares	10 years	(Note 2)
Employee stock options	October 2013	538,000 shares	10 years	(Note 2)
Restricted stocks to employees (Note 4)	August 2013	377,000 shares	2 years	(Note 3)
Restricted stocks to employees (Note 4)	October 2013	106,000 shares	2 years	(Note 3)

Note 1: 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.

Note 2: Some employee stock options shall be vested and become exercisable as to 50% of the shares after fulfilling two years of service, and in accordance with the agreement, the remaining 50% of such options will be ratably in equal installments as of the last day of each of the succeeding 24 months.

Note 3: Some restricted stocks to employees shall be vested and become exercisable as to 50% of the shares after one year of service, and the remaining 50% of such shares to be vested after fulfilling two years of service.

Note 4: The restricted stocks to employees are restricted from transferring within vesting period, but are allowed for voting rights and rights to receive dividends. The Company will recover limited new employee stock options at no consideration and cancel registration if employees resign or die not due to occupational hazards. However, employees do not need to return dividends already received.

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

<u>For the year ended December 31, 2013</u>			
	<u>No. of options</u>	<u>Currency / Unit</u>	<u>Weighted average exercise price</u> (in dollars)
Options outstanding at beginning of the period	2,207,498	USD	\$ 1.17
Options granted	2,083,830	NTD	20.72
Options forfeited	(1,854,528)	USD/NTD	1.17/18.1
Options outstanding at end of the period	<u>2,436,800</u>	NTD	23.16
Options exercisable at end of the period	<u>392,970</u>	USD	1.17
<u>For the year ended December 31, 2012</u>			
	<u>No. of options</u>	<u>Currency / Unit</u>	<u>Weighted average exercise price</u> (in dollars)
Options outstanding at beginning of the period	2,244,498	USD	\$ 1.17
Options forfeited	(37,000)	USD	1.17
Options outstanding at end of the period	<u>2,207,498</u>	USD	1.17
Options exercisable at end of the period	<u>1,524,006</u>	USD	1.17

C. As of December 31, 2013, December 31, 2012 and January 1, 2012, the range of exercise prices of stock options outstanding are as follows:

<u>December 31, 2013</u>				
<u>Grant date</u>	<u>Expiration</u>	<u>No. of Shares</u>	<u>Currency</u>	<u>Stock options exercise price</u> (in dollars)
Form January 2011 to October 2011	From January 2021 to October 2021	\$ 392,970	USD	\$ 1.17
April 2013	April 2023	1,498,000	NTD	18.10
August 2013	August 2023	7,830	NTD	27.71
October 2013	October 2023	<u>538,000</u>	NTD	28.11
		<u>\$ 2,436,800</u>		

		December 31, 2012		
<u>Grant date</u>	<u>Expiration</u>	<u>No. of Shares</u>	<u>Currency</u>	<u>Stock options exercise price</u> (in dollars)
Form January 2011 to October 2011	From January 2021 to October 2021	<u>\$ 2,207,498</u>	USD	<u>\$ 1.17</u>

		January 1, 2012		
<u>Grant date</u>	<u>Expiration</u>	<u>No. of Shares</u>	<u>Currency</u>	<u>Stock options exercise price</u> (in dollars)
Form January 2011 to October 2011	From January 2021 to October 2021	<u>\$ 2,244,498</u>	USD	<u>\$ 1.17</u>

D. For the stock options and restricted stocks granted with the compensation cost accounted for using the fair value method, their fair value on the grant date is estimated using the Black-Scholes option-pricing model and discounted cash flow valuation. The parameters used in the estimation of the fair value are as follows:

<u>Type of arrangement</u>	<u>Grant day</u>	<u>Currency/ Unit</u>	<u>Fair value</u> (in dollars)	<u>Exercise price</u> (in dollars)	<u>Expected price Volatility</u>	<u>Expected option period (Years)</u>	<u>Expected dividend yield rate</u>	<u>Risk-free interest rate</u>	<u>Fair value</u> (in dollars)
Employee stock options	January 2011	USD	\$1.31	\$ 1.17	76.33%	1.48~ 6.05	-	4.83%	\$ 0.52~ 0.90
Employee stock options	January 2011	USD	1.31	1.17	76.33%	5.75~ 6.25	-	4.83%	0.89~ 0.92
Employee stock options	May 2011	USD	1.22	1.17	63.00%	6.08	-	2.51%	0.74
Employee stock options	July 2011	USD	1.22	1.17	63.00%	6.08	-	1.94%	0.73
Employee stock options	October 2011	USD	1.22	1.17	64.00%	6.08	-	1.16%	0.72
Employee stock options	April 2013	NTD	18.28	18.10	51.47%	6.26	1.16%	1.07%	8.18
Employee stock options	August 2013	NTD	27.40	27.71	51.47%	6.26	1.16%	1.47%	12.29
Employee stock options	October 2013	NTD	27.94	28.11	51.47%	6.26	1.16%	1.44%	12.55
Restricted stocks to employees	August 2013	NTD	27.55	-	43.40%	1.00	1.16%	0.82%	22.82
Restricted stocks to	August 2013	NTD	27.55	-	47.49%	2.00	1.16%	0.99%	20.41

employees

Restricted stocks to employees	October 2013	NTD	28.10	-	43.40%	1.00	1.16%	0.78%	23.27
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Restricted stocks to employees	October 2013	NTD	28.10	-	47.49%	2.00	1.16%	0.95%	20.81
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E. Expenses incurred on share-based payment transactions are shown below:

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Equity-settled	<u>\$ 10,121</u>	<u>\$ 7,126</u>

(9) Common stock

A. As of December 31, 2013, the Group's authorized capital was \$700,000, consisting of 70,000 thousand shares of ordinary stock, and the paid-in capital was \$369,736 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Group's ordinary shares outstanding are as follows

Unit: Numbers of shares

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
At January 1,	36,490,587	36,490,587
Employee restricted shares (Note)	<u>483,000</u>	<u>-</u>
At December 31,	<u>36,973,587</u>	<u>36,490,587</u>

Note: The employee restricted shares were not vested as of December 31, 2013.

B. The stockholders' during their meeting on June 28, 2013 adopted a resolution to issue 1,824,529 employee restricted ordinary shares with par value of \$10 (in dollars) per share, with the effective date set on July 24, 2013. The subscription price is \$0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

C. The Board of Directors meeting on August 2, 2013 adopted a resolution to issue employee restricted ordinary shares (see Note 4(8)) with the effective date set on August 2, 2013. The subscription price is \$0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

D. The Board of Directors meeting on October 24, 2013 adopted a resolution to issue employee restricted ordinary shares (see Note 4(8)) with the effective date set on October 24, 2013. The subscription price is \$0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

(10) Capital surplus

Capital surplus arising from accounting standards in R.O.C. can be capitalised or distributed as proposed by the Board of Directors and resolved by the stockholders.

	<u>For the year ended December 31, 2013</u>				
	<u>Share Premium</u>	<u>Employee stock options</u>	<u>Employee Restricted shares</u>	<u>Others</u>	<u>Total</u>
At January 1, 2013	\$ 143,814	\$ 52,360	\$ -	\$ -	\$ 196,174
Employee restricted shares	-	-	5,655	-	5,655
Option cancelled	-	(24,921)	-	24,921	-
Compensation cost of share-based payment	-	7,213	-	-	7,213
At December 31, 2013	<u>\$ 143,814</u>	<u>\$ 34,652</u>	<u>\$ 5,655</u>	<u>\$ 24,921</u>	<u>\$ 209,042</u>

	<u>For the year ended December 31, 2012</u>				
	<u>Share Premium</u>	<u>Employee stock options</u>	<u>Employee Restricted shares</u>	<u>Others</u>	<u>Total</u>
At January 1, 2012	\$ 143,814	\$ 45,234	\$ -	\$ -	\$ 189,048
Compensation cost of share-based payment	-	7,126	-	-	7,126
At December 31, 2012	<u>\$ 143,814</u>	<u>\$ 52,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,174</u>

(11) Retained earnings

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
At January 1,	\$ 69,167	\$ 76,259
Legal reserve	-	(6,821)
Cash dividends	-	(7,298)
Profit for the period	<u>111,517</u>	<u>7,027</u>
At December 31,	<u>\$ 180,684</u>	<u>\$ 69,167</u>

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' remuneration; and
- (c) the balance as dividends to the stockholders.

- B. The Company's dividends policy is as follow: As the Company operates in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's operation scale, cash flow demand 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.
- C. 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 2013 earnings had not been resolved by the Board of directors and the shareholders.
- D. The Company accrued employees' bonus amounting to \$1,679 and directors' remuneration amounting to \$0 for the year ended 2013 based on net income to be distributed. 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.
- E. Information on the appropriation of the Company's employees' bonus and directors' 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.

(12) Other equity items

	<u>For the year ended December 31, 2013</u>		
	<u>Unearned employee Compensation</u>	<u>Currency translation</u>	<u>Total</u>
At January 1, 2013	\$ -	(\$ 8,589)	(\$ 8,589)
Currency translation differences	-	17,032	17,032
Compensation cost of share-based payment	2,908	-	2,908
Employee restricted shares	(10,485)	-	(10,485)
At December 31, 2013	<u>(\$ 7,577)</u>	<u>\$ 8,443</u>	<u>\$ 866</u>

	<u>For the year ended December 31, 2012</u>		
	<u>Unearned employee Compensation</u>	<u>Currency translation</u>	<u>Total</u>
At January 1, 2012	\$ -	\$ 17,854	\$ 17,854
Currency translation differences	-	(26,443)	(26,443)
At December 31, 2012	<u>\$ -</u>	<u>(\$ 8,589)</u>	<u>(\$ 8,589)</u>

(13) Operating revenue

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Sale revenue	\$ 927,202	\$ 753,949
Royalty revenue	7,318	12,660
Service revenue	<u>113,411</u>	<u>48,541</u>
Total	<u>\$ 1,047,931</u>	<u>\$ 815,150</u>

(14) Expenses by nature

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Employee benefit expense	\$ 416,704	\$ 339,991
Depreciation charges on property, plant and equipment	24,674	19,913
Amortisation charges on intangible assets (recognised as cost of goods sold))	<u>5,068</u>	<u>2,197</u>
	<u>\$ 446,446</u>	<u>\$ 362,101</u>

(15) Employee benefit expense

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Wages and salaries	\$ 360,859	\$ 292,054
Compensation cost of employee stock options	10,121	7,216
Insurance expense	36,935	31,734
Pension costs	8,462	8,422
Other personnel expenses	<u>327</u>	<u>655</u>
	<u>\$ 416,704</u>	<u>\$ 339,991</u>

(16) Income tax

A. Income tax expense

Income tax expense (benefit) 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:

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Current tax:		
Current tax on profits for the period	\$ 6,980	\$ 888
Tax effect of minimum tax	5,119	23
Adjustments in respect of prior years' over estimate	(1,179)	(6,735)
Total current tax	<u>10,920</u>	<u>5,824</u>
Deferred tax:		
Origination and reversal of temporary differences	21,785	4,690
Tax effect of loss carryforward	(41,788)	(4,099)
Total deferred tax	<u>(20,003)</u>	<u>591</u>
Income tax benefit	<u>(\$ 9,083)</u>	<u>(\$ 5,233)</u>

B. Reconciliation between income tax expense and accounting profit

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 43,883	\$ 1,526
Tax effect of permanent differences	(15,118)	4,052
Tax effect of loss carryforward	(41,788)	(4,099)
Over provision of prior years' income tax	(1,179)	(6,735)
Tax effect of minimum tax	<u>5,119</u>	<u>23</u>
Income tax benefit	<u>(\$ 9,083)</u>	<u>(\$ 5,233)</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference and loss carryforward are as follows

	<u>For the year ended December 31, 2013</u>		
	<u>January 1,</u>	<u>Recognised in profit or loss</u>	<u>December 31,</u>
Temporary differences:			
-Deferred tax assets:			
Loss carryforwards - federal tax	\$ 143,399	\$ 41,788	\$ 185,187
- Deferred tax liabilities:			
Loss carryforwards - federal tax	(\$ 23,922)	(\$ 15,221)	(\$ 39,143)
Loss carryforwards - state tax	(153)	(6,564)	(6,717)

Subtotal	(\$ 24,075)	(\$ 21,785)	(\$ 45,860)
Total	<u>\$ 119,324</u>	<u>\$ 20,003</u>	<u>\$ 139,327</u>

For the year ended December 31, 2013

	<u>January 1,</u>	<u>Recognised in profit or loss</u>	<u>December 31,</u>
Temporary differences:			
-Deferred tax assets:			
Loss carryforwards - federal tax	\$ 139,300	\$ 4,099	\$ 143,399
- Deferred tax liabilities:			
Loss carryforwards - federal tax	(\$ 19,385)	(\$ 4,537)	(\$ 23,922)
Loss carryforwards - state tax	-	(153)	(153)
Subtotal	(\$ 19,385)	(\$ 4,690)	(\$ 24,075)
Total	<u>\$ 119,915</u>	<u>(\$ 591)</u>	<u>\$ 119,324</u>

D. Expiration dates of unused net operating loss carryforward and amounts of unrecognised deferred tax assets are as follows

(a) Federal tax:

<u>December 31, 2013</u>				
<u>Year incurred (fiscal year end of tax returns)</u>	<u>Amount filed</u>	<u>Unused mount</u>	<u>Unrecognised deferred tax assets</u>	<u>Usable until year (fiscal year end of tax returns)</u>
2001.6.30	\$ 280,000	\$ 280,000	\$ -	2020.12.31
2002.6.30	326,381	326,381	61,714	2021.12.31
2003.6.30	263,311	263,311	263,311	2022.12.31
2004.6.30	170,004	170,004	170,004	2023.12.31
2005.6.30	161,915	161,915	161,915	2024.12.31
2006.6.30	149,847	149,847	149,847	2025.12.31
2007.6.30	109,479	109,479	109,479	2026.12.31
2008.6.30	65,034	65,034	65,034	2027.12.31
2011.12.31	5,865	5,865	5,865	2031.12.31
2012.12.31	<u>52,577</u>	<u>52,577</u>	<u>52,577</u>	2032.12.31
	<u>\$ 1,584,413</u>	<u>\$ 1,584,413</u>	<u>\$ 1,039,746</u>	

December 31, 2012

Year incurred (fiscal year end of tax returns)	Amount filed	Unused mount	Unrecognised deferred tax assets	Usable until year (fiscal year end of tax returns)
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	70,080	2020.12.31
2002.6.30	318,004	318,004	318,004	2021.12.31
2003.6.30	256,553	256,553	256,553	2022.12.31
2004.6.30	165,641	165,641	165,641	2023.12.31
2005.6.30	157,759	157,759	157,759	2024.12.31
2006.6.30	146,001	146,001	146,001	2025.12.31
2007.6.30	106,669	106,669	106,669	2026.12.31
2008.6.30	63,364	63,364	63,364	2027.12.31
2011.12.31	5,715	5,715	5,715	2031.12.31
2012.12.31	<u>51,227</u>	<u>51,227</u>	<u>51,227</u>	2032.12.31
	<u>\$ 1,830,634</u>	<u>\$ 1,705,833</u>	<u>\$ 1,284,071</u>	

January 1, 2012

Year incurred (fiscal year end of tax returns)	Amount filed	Unused mount	Unrecognised deferred tax assets	Usable until year (fiscal year end of tax returns)
1999.6.30	\$ 139,923	\$ 29,620	\$ -	2018.12.31
2000.6.30	154,517	154,517	-	2019.12.31
2001.6.30	289,161	289,161	63,592	2020.12.31
2002.6.30	331,583	331,583	331,583	2021.12.31
2003.6.30	267,507	267,507	267,507	2022.12.31
2004.6.30	172,713	172,713	172,713	2023.12.31
2005.6.30	164,495	164,495	164,495	2024.12.31
2006.6.30	152,235	152,235	152,235	2025.12.31
2007.6.30	111,223	111,223	111,223	2026.12.31
2008.6.30	66,070	66,070	66,070	2027.12.31
2011.12.31	<u>5,959</u>	<u>5,959</u>	<u>5,959</u>	2031.12.31
	<u>\$ 1,855,386</u>	<u>\$ 1,745,083</u>	<u>\$ 1,335,377</u>	

(b) State tax

December 31, 2013

Year incurred (fiscal year end of tax returns)	Amount filed	Unused mount	Unrecognised deferred tax assets	Usable until year (fiscal year end of tax returns)
2001.6.30	\$ 145,317	\$ 145,317	\$ 145,317	2020.12.31
2002.6.30	179,483	179,483	179,483	2021.12.31
2003.6.30	157,958	157,958	157,958	2022.12.31
2004.6.30	101,982	101,982	101,982	2023.12.31
2005.6.30	161,883	161,883	161,883	2024.12.31
2006.6.30	149,823	149,823	149,823	2025.12.31
2007.6.30	109,455	109,455	109,455	2026.12.31
2008.6.30	64,868	64,868	64,868	2027.12.31
	<u>\$ 1,070,769</u>	<u>\$ 1,070,769</u>	<u>\$ 1,070,769</u>	

December 31, 2012

Year incurred (fiscal year end of tax returns)	Amount filed	Unused mount	Unrecognised deferred tax assets	Usable until year (fiscal year end of tax returns)
2001.6.30	\$ 141,587	\$ 141,587	\$ 141,587	2020.12.31
2002.6.30	174,877	174,877	174,877	2021.12.31
2003.6.30	153,904	153,904	153,904	2022.12.31
2004.6.30	99,365	99,365	99,365	2023.12.31
2005.6.30	157,728	157,728	157,728	2024.12.31
2006.6.30	145,978	145,978	145,978	2025.12.31
2007.6.30	106,645	106,645	106,645	2026.12.31
2008.6.30	63,203	63,203	63,203	2027.12.31
	<u>\$ 1,043,287</u>	<u>\$ 1,043,287</u>	<u>\$ 1,043,287</u>	

January 1, 2012				
Year incurred (fiscal year end of tax returns)	Amount filed	Unused mount	Unrecognised deferred tax assets	Usable until year (fiscal year end of tax returns)
2001.6.30	\$ 147,633	\$ 147,633	\$ 147,633	2020.12.31
2002.6.30	182,344	182,344	182,344	2021.12.31
2003.6.30	160,475	160,475	160,475	2022.12.31
2004.6.30	103,607	103,607	103,607	2023.12.31
2005.6.30	164,494	164,494	164,494	2024.12.31
2006.6.30	152,211	152,211	152,211	2025.12.31
2007.6.30	111,199	111,199	111,199	2026.12.31
2008.6.30	<u>65,902</u>	<u>65,902</u>	<u>65,902</u>	2027.12.31
	<u>\$ 1,087,865</u>	<u>\$ 1,087,865</u>	<u>\$ 1,087,865</u>	

E. The amounts of deductible temporary difference that as deferred tax assets are as follows :

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Deductible temporary differences	<u>\$ 173,899</u>	<u>\$ 100,408</u>	<u>\$ 103,103</u>

(17) Earnings per share

	<u>For the year ended December 31, 2013</u>		
	<u>Amount after tax</u>	<u>Weighted average outstanding common shares</u>	<u>Earnings per Share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 111,517</u>	<u>36,491</u>	<u>\$ 3.06</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 111,517	36,491	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	57	
Employee stock options	-	56	
Employee retricted shares	<u>-</u>	<u>73</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 111,517</u>	<u>36,677</u>	<u>\$ 3.04</u>

	<u>For the year ended December 31, 2012</u>		
	<u>Amount after tax</u>	<u>Weighted average outstanding common shares</u>	<u>Earnings per Share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 7,027	36,491	\$ 0.19
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 7,027	36,491	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	5	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 7,027	36,496	\$ 0.19

(18) Operating lease commitments

The Company's subsidiary, GCS LLC, entered into operating lease contracts with Hamazawa Investment Company for its office and plant located in Los Angeles, California, USA. The lease period was originally from September 2002 to April 2016. The contracts were renewed on January 1, 2013 whereby the lease period is extended to April 2022. As of each balance sheet date, the future minimum rental payments based on the above lease agreements are as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
2012	\$ -	\$ -	\$ 11,291
2013	-	12,435	11,291
2014	13,096	12,435	11,291
2015	13,096	12,435	11,291
2016	13,096	12,435	3,762
2017 and after	69,845	66,320	-
	<u>\$ 109,133</u>	<u>\$ 116,060</u>	<u>\$ 48,926</u>

(19) Non-cash transaction

Investing activities with partial cash payments:

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Purchase of fixed assets	\$ 67,697	\$ 36,209
Less: Accrued leasing liability	(29,423)	-
Cash paid during the year	<u>\$ 38,274</u>	<u>\$ 36,209</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

None.

(2) Significant transactions and balances with related parties

A. Sales of goods and services:

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Sales of goods:		
-Other related party	\$ <u>197,562</u>	\$ <u>212,786</u>

There are no significant differences in sale prices and collection terms between related parties and third parties. The collection term was within 45 days from the date of sales.

B. Period-end balances arising from sales of goods/services:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Receivables from other related party	\$ <u>19,437</u>	\$ <u>31,052</u>	\$ <u>40,233</u>

The receivables from related parties arise mainly from sale transactions. The receivables are due 45 days from the date of sales. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Salaries and other short-term employee benefits	\$ 59,357	\$ 61,563
Post-employment benefits	2,022	2,101
Share-based payments	<u>3,260</u>	<u>4,257</u>
	<u>\$ 64,639</u>	<u>\$ 67,921</u>

8. PLEGGED ASSETS

As of December 31, 2013, December 31, 2012 and January 1, 2012, the Group's assets pledged as collateral were as follows:

<u>Assets</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>	<u>Purpose</u>
Other financial assets, non-current	\$ <u>7,128</u>	\$ <u>6,932</u>	\$ <u>5,493</u>	Deposit for wastewater treatment

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Please refer to Note 6(18) for the operating lease commitments.

(2) Capital commitments

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Property, plant and equipment	\$ -	\$ 2,370	\$ 17,116
Intangible assets	-	1,483	-
Total	<u>\$ -</u>	<u>\$ 3,853</u>	<u>\$ 17,116</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital risk management

In order to safeguard the Group's ability to adapt to the changes in the industry and to accelerate the new product development, the Group's objectives when managing capital are to maintain the sufficient financial resources to support the operating capital, capital expenditures, research and development activities and dividend paid to shareholders, etc.

(2) Financial instruments

A. The carrying amounts measured at amortized cost approximate to the fair values of the Group's financial instruments, including cash and cash equivalents, accounts receivable, other receivables, other current assets, accounts payable, other payables and accrued rent expense (accounted for under 'Other current liabilities' and 'Other non-current liabilities').

B. Financial risk management policies

a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

a) Market risk

Foreign exchange risk

- The Group's businesses are mainly conducted in functional currency. Therefore, the foreign exchange risk is deemed minimal.

Price risk

- The Group does not hold any equity securities so no equity price risk is expected. The

Group is also not exposed to commodity price risk.

Interest rate risk

- The Group is not exposed to interest rate risk since it has no borrowings issued at variable rates.

b) Credit risk

- Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.
- No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- The financial assets that are neither past due nor impaired are accounts receivable. Please refer to Note 6(2).
- The financial assets that were past due but not impaired are accounts receivable. Please refer to Note 6(2).
- The financial assets with impairment are accounts receivable. Please refer to Note 6(2).

c) Liquidity risk

- Cash flow forecasting is performed by the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.
- Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury chooses instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above mentioned forecasts.
- The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Less than 1 year Over 1 year

Non-derivative financial liabilities:

December 31, 2013			
Accounts payable	\$	28,406	\$ -
Other payables		87,359	-
Other current liabilities		5,739	-
Other non-current liabilities		-	25,630
		<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>			
December 31, 2012			
Accounts payable	\$	20,144	\$ -
Other payables		55,592	-
		<u>Less than 1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities:</u>			
January 1, 2012			
Accounts payable	\$	20,974	\$ -
Other payables		75,867	-

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- (a) Loans to others: None.
- (b) Provision of endorsements and guarantees to others: None.
- (c) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- (d) Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- (e) Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- (f) Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- (g) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more:

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Global Communication Semiconductors LLC.	RF Micro Devices, Inc.	Substantial related party	Sales	\$ 197,562	19%	45 days	None	None	\$ 19,437	15%	-

- (h) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- (i) Derivative financial instruments undertaken during the year ended December 31, 2013: None.
- (j) Significant inter-company transactions during the year ended December 31, 2013: None

(2) Information on investees

The information about investees, location, etc. was as follow (not including investees in Mainland China):

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2013			Net profit (loss) of the investee for the year ended December 31, 2013	Investment income (loss) recognised by the Company for the year ended December 31, 2013	Footnote
				Balance as at December 31, 2013	Balance as at January 1, 2013	Number of shares	Ownership (%)	Book value			
GCS Holdings Inc.	Global Communication Semiconductors LLC.	Los Angeles, USA	GaAs wafer and foundry service	\$ 403,975	\$ 403,975	-	100	\$ 631,869	\$ 123,196	\$ 123,196	-

(3) Information on investments in Mainland China

None

14. SEGMENT INFORMATION

(1) General information

The Group operates business only 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) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	<u>For the year ended December 31, 2013</u>			
	<u>Cayman Islands</u>	<u>America</u>	<u>Adjustments and elimination</u>	<u>Consolidated amount</u>
Revenue from external customers	\$ -	\$ 1,047,931	\$ -	\$ 1,047,931
Inter-segment revenue	-	-	-	-
Total segment revenue	<u>\$ -</u>	<u>\$ 1,047,931</u>	<u>\$ -</u>	<u>\$ 1,047,931</u>
Segment profit (loss) (Note)	<u>\$ 111,542</u>	<u>\$ 114,088</u>	<u>(\$ 123,196)</u>	<u>\$ 102,434</u>
Total assets	<u>\$ 768,049</u>	<u>\$ 866,735</u>	<u>(\$ 669,345)</u>	<u>\$ 965,439</u>

	<u>For the year ended December 31, 2012</u>			
	<u>Cayman Islands</u>	<u>America</u>	<u>Adjustments and elimination</u>	<u>Consolidated amount</u>
Revenue from external customers	\$ -	\$ 815,150	\$ -	\$ 815,150
Inter-segment revenue	-	-	-	-
Total segment revenue	<u>\$ -</u>	<u>\$ 815,150</u>	<u>\$ -</u>	<u>\$ 815,150</u>
Segment profit (loss) (Note)	<u>\$ 7,027</u>	<u>\$ 11,195</u>	<u>(\$ 16,428)</u>	<u>\$ 1,794</u>
Total assets	<u>\$ 634,613</u>	<u>\$ 621,239</u>	<u>(\$ 526,177)</u>	<u>\$ 729,675</u>

Note: Profit (loss) before tax

(3) Reconciliation for segment income (loss)

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.

(4) Information on product and service

Please refer to Note 6 (13) for the related information.

(5) Geographical information

Geographical information for the years ended December 31, 2013 and 2012 is as follows:

Area	For the years ended December 31,			
	2013		2012	
	Revenue	Non-current asstes	Revenue	Non-current asstes
United States	\$ 731,006	\$ 195,071	\$ 601,137	\$ 136,576
Taiwan	150,914	-	69,819	-
China	84,217	-	26,165	-
Canada	60,986	-	85,870	-
Others	20,808	-	32,159	-
Total	<u>\$ 1,047,931</u>	<u>\$ 195,071</u>	<u>\$ 815,150</u>	<u>\$ 136,576</u>

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2013 and 2012 is as follows:

	For the years ended December 31,			
	2013		2012	
	Amount	% of sales	Amount	% of sales
A	\$ 197,562	19%	\$ 212,786	26%
E	156,594	15%	64,731	8%
B	122,447	11%	98,355	12%
C	115,893	11%	73,472	9%
D	60,931	6%	85,110	11%
	<u>\$ 653,427</u>	<u>62%</u>	<u>\$ 534,454</u>	<u>66%</u>

15. INITIAL APPLICATION OF IFRSs

These consolidated financial statements are the first annual consolidated financial statements prepared by the Group in accordance with the IFRSs. The Group has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP consolidated financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions elected by the Group, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Group's financial position, operating results and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

(1) Exemptions elected by the Group

Leases

The Group has elected to apply the transitional provisions in IFRIC 4, 'Determining Whether an Arrangement Contains a Lease'. Therefore, the Group determines whether an arrangement existing at the transition date contains a lease based on the facts and

circumstances on that date.

- (2) Except for derecognition of financial assets and financial liabilities, hedge accounting and non-controlling interest to which exceptions to the retrospective application of IFRSs specified in IFRS 1 are not applied as they have no relation with the Group, other exceptions to the retrospective application are set out below:

Accounting estimates

Accounting estimates made under IFRSs on January 1, 2012 are consistent with those made under R.O.C. GAAP on that day.

- (3) Requirement to reconcile from R.O.C. GAAP to IFRSs at the time of initial application

IFRS 1 requires that an entity should make a reconciliation for equity, comprehensive income and cash flows for the comparative periods. The Group's initial application of IFRSs has no significant effect on cash flows from operating activities, investing activities and financing activities. Reconciliation for equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown below:

A. Reconciliation for equity as of January 1, 2012:

	R.O.C GAAP	Effect of transition from R.O.C GAAP to IFRSs	IFRSs	Remark
<u>Current assets</u>				
Cash and cash equivalents	\$ 248,925	\$ -	\$ 248,925	
Accounts receivable	68,741	-	68,741	
Accounts receivable - related parties	40,233	-	40,233	
Other receivables	6,002	-	6,002	
Current income tax assets	1,640	-	1,640	
Inventories	146,382	-	146,382	
Prepayments	1,872	-	1,872	
Deferred income tax assets - current	37,100	(37,100)	-	(a)
Othe current assets	<u>3,945</u>	<u>-</u>	<u>3,945</u>	
Total current assets	<u>554,840</u>	<u>(37,100)</u>	<u>517,740</u>	
<u>Non-current assets</u>				
Property, plant and equipment	102,552	(2,576)	99,976	(b)
Intangible assets	3,634	-	3,634	
Deferred income tax assets - non-current	82,815	56,485	139,300	(a)
Other non-current assets	<u>5,493</u>	<u>2,576</u>	<u>8,069</u>	(b)
Total non-current assets	<u>194,494</u>	<u>56,485</u>	<u>250,979</u>	
Total assets	<u>\$ 749,334</u>	<u>\$ 19,385</u>	<u>\$ 768,719</u>	

	R.O.C GAAP	Effect of transition from R.O.C GAAP to IFRSs	IFRSs	Remark
<u>Current liabilities</u>				
Accounts payable	\$ 20,974	\$ -	\$ 20,974	
Other payables	72,852	3,015	75,867	(c)
Current income tax liabilities	1,228	-	1,228	
Other current liabilities	<u>3,198</u>	<u>-</u>	<u>3,198</u>	
Total current liabilities	<u>98,252</u>	<u>3,015</u>	<u>101,267</u>	
<u>Non-current liabilities</u>				
Deferred income tax liabilities	<u>-</u>	<u>19,385</u>	<u>19,385</u>	(a)
Total non-current liabilities	<u>-</u>	<u>19,385</u>	<u>19,385</u>	
Total liabilities	<u>98,252</u>	<u>22,400</u>	<u>120,652</u>	
<u>Equity attributable to owners of the parent</u>				
Share capital				
Common stock	364,906	-	364,906	
Capital surplus	189,048	-	189,048	
Retained earnings				
Unappropriated retained earnings	79,274	(3,015)	76,259	(c)
Cumulative translation adjustments	<u>17,854</u>	<u>-</u>	<u>17,854</u>	
Total equity	<u>651,082</u>	<u>(3,015)</u>	<u>648,067</u>	
Total liabilities and equity	<u>\$ 749,334</u>	<u>\$ 19,385</u>	<u>\$ 768,719</u>	

B. Reconciliation for equity as of December 31, 2012:

	R.O.C GAAP	Effect of transition from R.O.C GAAP to IFRSs	IFRSs	Remark
<u>Current assets</u>				
Cash and cash equivalents	\$ 181,254	\$ -	\$ 181,254	
Accounts receivable	88,779	-	88,779	
Accounts receivable - related parties	31,052	-	31,052	
Other receivables	16,693	-	16,693	
Current income tax assets	5,533	-	5,533	
Inventories	115,767	-	115,767	
Prepayments	2,884	-	2,884	
Other current assets	806	-	806	
Total current assets	<u>442,768</u>	<u>-</u>	<u>442,768</u>	
<u>Non-current assets</u>				
Property, plant and equipment	119,673	(5,868)	113,805	(b)
Intangible assets	16,903	-	16,903	
Deferred income tax assets - non-current	119,324	24,075	143,399	(a)
Other non-current assets	6,932	5,868	12,800	(b)
Total non-current assets	<u>262,832</u>	<u>24,075</u>	<u>286,907</u>	
Total assets	<u>\$ 705,600</u>	<u>\$ 24,075</u>	<u>\$ 729,675</u>	
<u>Current liabilities</u>				
Accounts payable	\$ 20,144	\$ -	\$ 20,144	
Other payables	51,178	4,414	55,592	(c)
Other current liabilities	1,385	-	1,385	
Total current liabilities	<u>72,707</u>	<u>4,414</u>	<u>77,121</u>	
<u>Non-current liabilities</u>				
Deferred income tax liabilities	-	24,075	24,075	(a)
Total non-current liabilities	<u>-</u>	<u>24,075</u>	<u>24,075</u>	
Total liabilities	<u>72,707</u>	<u>28,489</u>	<u>101,196</u>	
<u>Equity attributable to owners of the parent</u>				
Share capital				
Common stock	364,906	-	364,906	
Capital surplus	196,174	-	196,174	
Retained earnings				
Special reserve	6,821	-	6,821	
Unappropriated retained earnings	73,950	(4,783)	69,167	(c)
Cumulative translation adjustments	(8,958)	369	(8,589)	(c)
Total equity	<u>632,893</u>	<u>(4,414)</u>	<u>628,479</u>	
Total liabilities and equity	<u>\$ 705,600</u>	<u>\$ 24,075</u>	<u>\$ 729,675</u>	

C. Reconciliation for comprehensive income for the year ended December 31, 2012:

	<u>R.O.C GAAP</u>	Effect of transition from R.O.C GAAP to IFRSs	<u>IFRSs</u>	<u>Remark</u>
Operating Revenue	\$ 815,150	\$ -	\$ 815,150	
Operating Costs	(580,991)	-	(580,991)	
Gross profit	<u>234,159</u>	-	<u>234,159</u>	
Operating Expenses				
Selling expenses	(18,561)	-	(18,561)	
General and administrative expenses	(108,573)	(1,768)	(110,341)	(c)
Research and development expenses	(105,461)	-	(105,461)	
Total operating expenses	<u>(232,595)</u>	<u>(1,768)</u>	<u>(234,363)</u>	
Operating income	<u>1,564</u>	<u>(1,768)</u>	<u>(204)</u>	
Non-operating revenue and expenses				
Other income	122	-	122	
Other gains and losses	<u>1,876</u>	-	<u>1,876</u>	
Total non-operating revenue and expenses	<u>1,998</u>	-	<u>1,998</u>	
Profit before income tax	3,562	(1,768)	1,794	
Income tax expense	<u>5,233</u>	-	<u>5,233</u>	
Profit for the period	<u>\$ 8,795</u>	<u>(\$ 1,768)</u>	<u>7,027</u>	
Other comprehensive income				
Currency translation differences			(26,443)	
Total comprehensive income (loss) for the period			<u>(\$ 19,416)</u>	
Profit attributable to:				
Owners of the parent			<u>\$.027</u>	
Total comprehensive income attributable to:				
Owners of the parent			<u>(\$ 19,416)</u>	

Reasons for difference are outlined below:

- (a) In accordance with accounting standards in 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. 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 realise the asset or settle the liability. However, under IAS 1, 'Presentation of Financial Statements', an entity should not classify a deferred tax asset or liability as current.

In accordance with accounting standards in R.O.C., when evidence shows that part or whole of the deferred tax asset with 50% probability or above will not be realised, 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 recognised if, and only if, it is considered probable that it will be realised.

Deferred income tax assets and liabilities cannot be offset as they do not meet the criteria of offsetting assets and liabilities under IAS 12, 'Income Taxes'. Thus, the Group reclassified deferred income tax assets and liabilities at the transition date.

- (b) Prepayment for acquisition of property, plant and equipment is presented in 'Property, plant and equipment' in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers". However, such prepayment should be presented in 'Other non-current assets' based on its nature under IFRSs.
- (c) In accordance with current accounting standards in R.O.C., for the Group's long-term lease contracts with variable rents which are adjusted year by year, the lease payment is recognised as an expense for each period based on each rent agreement. However, in accordance with IAS 17, 'Leases', all lease payments stipulated in the lease contracts should be recognised as an expense over the lease term on a straight-line basis.
- (4) Major adjustments for the consolidated statements of cash flows for the year ended December 31, 2012:
- A. The transition of R.O.C. GAAP to IFRSs had no effect on the Group's cash flows reported.
- B. The reconciliation between R.O.C. GAAP and IFRSs had no net effect on the Group's cash flows reported.