ADVANCED ANALOG TECHNOLOGY, INC.
FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS
JUNE 30, 2012 AND 2011

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 12000059

To the Board of Directors and Stockholders of Advanced Analog Technology, Inc.

We have audited the accompanying balance sheet of Advanced Analog Technology, Inc. as of June 30, 2012, and the related statements of income, of changes in stockholders' equity, and of cash flows for the six-month period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the "Regulations Governing the Examination of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations 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 evaluation the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advanced Analog Technology, Inc. as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the six-month period then ended, in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and generally accepted accounting principles in the Republic of China.

PricewaterhouseCoopers, Taiwan
Hsinchu, Taiwan
Republic of China

August 22, 2012

The accompanying 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 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.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ADVANCED ANALOG TECHNOLOGY, INC.
BALANCE SHEETS
JUNE 30,
(Expressed in thousands of New Taiwan dollars)

	Note	2012	2011
ASSETS			
Current Assets			
Cash	4(1)	$ 625,498	$ 624,564
Accounts receivable, net	4(2)	267,592	253,898
Other receivables		13	29
Other financial assets-current	6	535	529
Inventories, net	4(3)	128,981	66,644
Deferred income tax assets-current	4(10)	8,277	17,257
Other current assets		2,823	4,517
		1,033,719	967,438
Property, Plant and Equipment	4(4)		
Land		141,574	141,574
Buildings		105,894	105,811
Machinery and equipment		36,808	30,574
Office equipment		19,145	16,580
Leasehold improvements		10,108	10,108
		313,529	304,647
Less: Accumulated depreciation		(51,845)	(40,089)
		261,684	264,558
Intangible Assets			
Trademarks		-	1
Patents		398	622
Computer software		15,030	17,236
Specialized technique		628	807
		16,056	18,666
Other Assets			
Deposits-out		1,065	1,015
Deferred charges		22,355	26,522
Deferred income tax assets-non-current	4(11)	7,785	23,302
Prepaid pension cost	4(6)	2,565	1,363
		33,770	52,202
TOTAL ASSETS		$ 1,345,229	$ 1,302,864

(continued)

ADVANCED ANALOG TECHNOLOGY, INC.
BALANCE SHEETS
JUNE 30,
(Expressed in thousands of New Taiwan dollars)

	Note	2012	2011
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable		$ 207,494	$ 109,972
Income tax payable	4(10)	9,648	8,455
Accrued expenses		23,767	27,206
Dividend payable	4(8)	46,338	123,568
Accrued bonuses to employees and directors	4(8)	38,052	56,478
Advance receipts		133	-
Other current liabilities		1,703	3,564
Total Liabilities		327,135	329,243
Stockholders' Equity			
Common stock	4(7)	386,151	386,151
Capital reserve	4(8)	369,133	369,133
Retained earnings	4(9)		
Legal reserve		161,539	151,076
Unappropriated earnings		101,271	67,261
Total Stockholders' Equity		1,018,094	973,621
Commitments	7		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$ 1,345,229	$ 1,302,864

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

See report of independent accountants dated August 22, 2012.

ADVANCED ANALOG TECHNOLOGY, INC.
STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

	Note	2012	2011
Operating revenues			
Sales		$ 683,826	$ 650,396
Sales returns and allowances		(18,276)	(5,366)
Net operating revenues		665,550	645,030
Operating cost			
Cost of sales	4(3) (12)	(473,021)	(459,835)
Gross profit		192,529	185,195
Operating expenses			
Selling expenses	4(12)	(11,815)	(9,562)
General and administrative expenses		(21,119)	(23,162)
Research and development expenses		(77,380)	(73,410)
		(110,314)	(106,134)
Operating income		82,215	79,061
Non-operating gains and income			
Interest income		2,085	1,882
Gain on disposal of property, plant and equipment		9	-
Other income		333	187
		2,427	2,069
Non-operating expenses and loss			
Interest expense		(1)	(15)
Loss on disposal of property, plant and equipment		(75)	(74)
Loss on foreign currency exchange, net		(3,234)	(5,090)
Loss on valuation of financial assets		-	(1,312)
Other expenses		(4,206)	-
		(7,516)	(6,491)
Income before income tax		77,126	74,639
Income tax expense	4(10)	(25,150)	(8,848)
Net income		$ 51,976	$ 65,791
Earnings per share (in dollars)	4(11)	After Tax	After Tax
Basic earnings per share		$ 1.35	$ 1.70
Diluted earnings per share		$ 1.33	$ 1.70

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

See report of independent accountants dated August 22, 2012.

ADVANCED ANALOG TECHNOLOGY, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2012 AND 2011
(Expressed in thousands of New Taiwan dollars)

			Retained earnings			
	Common stock	Capital reserve	Legal reserve	Unappropriated earnings	Treasury stock	Total
Balance at January 1, 2011	$ 397,151	$ 379,613	$ 132,372	$ 244,935	($ 122,673)	$ 1,031,398
Appropriation of earnings:						
Legal reserve	-	-	18,704	(18,704)	-	-
Cash dividends	-	-	-	(123,568)	-	(123,568)
Net income for the six-month period ended June 30, 2011	-	-	-	65,791	-	65,791
Retirement of treasury stock	(11,000)	(10,480)	-	(101,193)	122,673	-
Balance at June 30, 2011	$ 386,151	$ 369,133	$ 151,076	$ 67,261	$ -	$ 973,621
Balance at January 1, 2012	$ 386,151	$ 369,133	$ 151,076	$ 106,096	$ -	$ 1,012,456
Appropriation of earnings:						
Legal reserve	-	-	10,463	(10,463)	-	-
Cash dividends	-	-	-	(46,338)	-	(46,338)
Net income for the six-month period ended June 30, 2012	-	-	-	51,976	-	51,976
Balance at June 30, 2012	$ 386,151	$ 369,133	$ 161,539	$ 101,271	$ -	$ 1,018,094

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated August 22, 2012.

ADVANCED ANALOG TECHNOLOGY, INC.
STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(Expressed in thousands of New Taiwan dollars)

	2012	2011
Cash flows from operating activities:		
Net income	$ 51,976	$ 65,791
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,073	15,669
Loss on valuation of financial assets	-	1,312
Provision for doubtful accounts	906	550
Provision for inventory valuation	7,400	13,300
Loss on disposal of property, plant and equipment	66	74
Changes in assets and liabilities:		
Increase in notes and accounts receivable	(78,509)	(54,897)
Decrease (increase) in other receivables	785	(8)
(Increase) decrease in inventories	(53,267)	9,646
Decrease in deferred income tax assets	15,292	121
Decrease (increase) in other current assets	5,321	(1,350)
Increase (decrease) in notes and accounts payable	123,074	(14,520)
Decrease in income tax payable	(527)	(15,020)
Decrease in accrued expenses	(9,483)	(1,515)
Increase in accrued employees' bonuses and directors' and supervisors' remuneration	12,628	11,027
Decrease in advance receipts	(1)	-
Decrease in other current liabilities	(3,012)	(3,365)
Net cash provided by operating activities	89,722	26,815
Cash flows from investing activities:		
Decrease in investment in bonds without active markets	-	26,019
Acquisition of property, plant and equipment	(2,135)	(2,595)
Proceeds from disposal of property, plant and equipment	151	-
Increase in restricted assets	(6)	(5)
Increase in guarantee deposits-out	(10)	(85)
Increase in deferred charges	(178)	(5,391)
Increase in intangible assets	(2,819)	(3,038)
Net cash (used in) provided by investing activities	(4,997)	14,905
Net increase in cash	84,725	41,720
Cash at beginning of period	540,773	582,844
Cash at end of period	$ 625,498	$ 624,564
Supplemental disclosure of cash flow information		
Cash paid for interest expense (excluding capitalized interest)	$ 1	$ 15
Cash paid for income tax	$ 10,385	$ 23,746
Cash paid for acquisition of property, plant and equipment:		
Acquisition of property, plant and equipment	$ 2,263	$ 4,128
Net change in property, plant and equipment payable	(128)	(1,533)
Cash paid	$ 2,135	$ 2,595
Financing activities not affecting cash flows		
Declared cash dividends not yet paid	$ 46,338	$ 123,568

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated August 22, 2012

ADVANCED ANALOG TECHNOLOGY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

1. History and Organization

Advanced Analog Technology, Inc. (the "Company") was incorporated on March 25, 1999, and moved into the Hsinchu Science Park in January 2003 after obtaining the approval of the Science Park Administration Bureau. The Company's common shares were publicly listed on the Gre Tai Securities Market (GTSM) on July 19, 2006. The Company's main activities are the design, research, development, manufacture and sale of analog ICs.

As of June 30, 2012, the Company had 119 employees.

2. Summary of Significant Accounting Policies

The accompanying financial statements are prepared in accordance with the "Rules Governing the Preparation of Financial statements by Securities Issuers", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China (ROC). The Company's significant accounting policies are summarized as follows:

(1) Use of estimates

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(2) Foreign currency transactions

Non-derivative foreign currency transactions are recorded at the spot exchange rates prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the exchange rates on that date. The resulting unrealized exchange gains or losses from such translations are reflected in the accompanying statements of income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the reporting currency at the foreign exchange rates at the date the fair value was determined. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange gains or losses from such translation are reflected in the accompanying statements of income. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, the resulting unrealized exchange gains or losses from such translation are recorded as a separate component of stockholders' equity.

(3) Classification of current and noncurrent assets and liabilities

Cash or cash equivalents, and assets that are held for the purpose of being traded or are expected to be realized within 12 months after the balance sheet date are classified as current assets; all other assets are classified as non-current assets. Liabilities that are incurred primarily for the purpose of being traded or are expected to be settled within 12 months after the balance sheet date are classified as current liabilities; all other liabilities are classified as non-current liabilities.

(4) Asset impairment

The Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount. The Company reverses an impairment loss recognized for assets in prior periods if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the asset assuming no impairment loss was recognized in prior periods.

(5) Financial instruments

The Company adopted transaction date accounting for financial instrument transactions. At initial recognition, financial instruments are measured at fair value. Except for financial instruments measured at fair value through profit or loss, acquisition cost or issuance cost is added to the originally recognized amount.

Financial instruments are classified into the following categories in accordance with the purpose of holding such financial instruments:

i. Financial assets at fair value through profit or loss: Financial assets are classified as at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Derivatives that do not meet the criteria for hedge accounting are classified as financial assets at fair value through profit or loss.

ii. Financial assets held-to-maturity: Financial assets held-to-maturity are measured at amortized cost using the effective interest method. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount of the financial asset that exceeds the amortized cost that would have been determined if no impairment loss had been recognized.

(6) Derivative financial instruments

The Company holds derivative financial instruments to hedge its exposure to foreign exchange risks arising from its operating, financing and investing activities. When a derivative financial instrument does not meet all the conditions for hedge accounting, it is accounted for as a financial instrument held for trading purposes.

(7) Note receivable/Accounts receivable/Other receivables

Notes receivable and accounts receivable are claims resulting from the sale of goods or services. Other receivables are receivable accounts other than notes receivable and accounts receivables. Notes receivable, accounts receivable and other receivables are stated initially at its fair value and measured at amortized cost using the effective interest method. The Company assesses whether objective evidence of impairment exists individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is recognized and 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.

If the amount of the impairment loss decrease and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

(8) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are measured at the lower of cost or net realizable value. The cost of inventories is calculated based on the weighted-average method. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

(9) Property, plant and equipment

Property, plant and equipment are stated at acquisition cost. Interest incurred in connection with the purchase or construction required to bring the assets to condition and location for their intended use is capitalized. Costs associated with significant additions, improvements, and replacements are capitalized. Repairs and maintenance are charged to expenses as incurred.

Depreciation of property, plant and equipment is provided over the estimated useful lives of the assets using the straight-line method. Depreciation of leasehold improvement is provided over the shorter of the estimated lease term or estimated useful life using the straight-line method. The remaining useful life, depreciation method and residual value of a fixed asset are reviewed at each fiscal year-end and any change therein is accounted for as changes in accounting estimate.

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

i. Buildings: 50 years.

ii. Machinery and equipment: 3 to 10 years.

iii. Office equipment: 1 to 5 years.

iv. Leasehold improvements: 5 to 10 years.

Gain or loss on the disposal of property, plant and equipment is accounted for as non-operating income or loss in the statement of income.

(10) Intangible assets

Except when it forms part of the cost of a business combination, expenditure on research is recognized as an expense when it is incurred. An intangible asset arising from development is recognized if, and only if, the Company can demonstrate all of the following:

i. The technical feasibility of completing the intangible asset so that it can be made available for use or sale.
ii. Its intention to complete the intangible asset and use or sell it.
iii. Its ability to using or selling the intangible asset.
iv. How the intangible asset will generate probable future economic benefits.
v. The Company has adequate technical, financial and other resources to complete the development of the intangible asset.
vi. Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

An intangible asset with a finite useful life is amortized using the straight-line method over the estimated useful life from the date the asset is made available for use. Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses. The residual value, amortization period, and amortization method are reviewed at least annually at each financial year-end and any change therein is accounted for as a change in accounting estimate.

An intangible asset with an indefinite useful life is not amortized in accordance with SFAS No. 37. Capitalized development expenditure is measured at cost less accumulated impairment losses. The useful life is reviewed annually at each period-end to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. A change in useful life assessment from indefinite to finite is accounted for as a change in accounting estimate.

The accounting for intangible assets described above differs from the related requirements of the "Business Entity Accounting Law". As the Company is a publicly listed company, the Company adopted the "Rules Governing the Preparation of Financial Statements by Securities Issuers".

Trademarks, patents, and software are stated at the cost and amortized over one to five years on a straight-line basis.

(11) Deferred charges

Masks are stated at cost and amortized over two years on a straight-line basis.

(12) Pension plan

Under the defined benefit pension plan, net periodic pension cost are recognized in accordance with the actuarial calculations. Net periodic pension cost includes service cost, interest cost, expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Unrecognized net transition obligation is amortized on a straight-line basis over 15 years. Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

(13) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes are determined based on differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects resulting from taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences, net operating loss carryforwards, and income tax credits are recognized as deferred income tax assets. The realization of the deferred income tax assets is evaluated, and if it is considered more likely than not that the deferred tax assets will not be realized, a valuation allowance is recognized accordingly. Classification of deferred income tax assets or liabilities as current or non-current is based on the classification of the related asset or liability. If the deferred income tax asset or liability is not directly related to a specific asset or liability, then the classification is based on the asset's or liability's expected period of realization.

The Company's purchase of equipment and expenditures for research and development entitle the Company to tax credits that are recognized by using the flow-through method.

The Company's undistributed income earned is subject to an additional 10% corporate income surtax. This surtax is recognized as income tax expense in the following year when the appropriation of earnings is approved by the stockholders.

(14) Treasury stock

The outstanding shares repurchased by the Company are recorded as treasury stock and carried at cost. Upon disposal, the excess of the selling price over the book value is recorded as a "capital surplus - treasury stock transaction". If the selling price is less than book value, the difference is charged against capital surplus from treasury stock, and any deficit is charged against retained earnings. The cost of treasury stock is calculated using the weighted-average method.

Upon retirement, the "capital stock" and "capital surplus - additional paid-in capital" are debited on a pro rata basis. If the book value exceeds the sum of the par value of capital stock and the premium on stock issuance, the difference is charged against capital surplus arising from the same class of treasury stock transactions, and the remainder, if any, is charged against retained earnings. If the book value is less than the sum of the par value of capital stock and the premium on stock issuance, the difference is credited to capital surplus arising from the same class of treasury stock transactions.

For treasury stock transferred to employees as an award, compensation cost is estimated at grant date using Black-Scholes option-pricing model. The compensation cost is amortized over the employees' vesting period. The grant date is determined based on the date at which the price and the number of shares of the treasury stock are certain. If approval of the price and the number of shares by the Board of Directors is required, the approval date would be the grant date.

(15) Employee bonuses and remuneration to directors

Effective January 1, 2008, and in accordance with Interpretation No.(96)052 issued by the Accounting Research and Development Foundation, the Company estimates the amount of employee bonuses and remuneration to directors, and charges it to current operations, classified under cost of sales and operating expenses, as appropriate. The difference, if any, between the amount approved by stockholders in the following year and the amount estimated in the current year's financial statements is accounted for as a change in accounting estimate, and charged to profit or loss in the following year.

(16) Earnings per common share ("EPS")

Basic EPS is computed by dividing net income by the weighted-average number of common shares outstanding during the year. The Company's common stock to be issued for the conversion of bonds and employee bonuses to be settled through the issuance of stock upon approval by stockholders are considered potential common stock. When potential common stock is anti-dilutive, only the basic EPS is disclosed. Diluted EPS is disclosed in addition to basic EPS when potential common stock has dilutive effects. In computing for diluted EPS, net income and the weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common stock, assuming potential dilutive common stock was outstanding during the year. Weighted-average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from unappropriated earnings and capital surplus to common stock, and employee stock bonuses approved by stockholders.

(17) Revenue recognition

Revenue is recognized when title to the products, the risk of loss, and the rewards of ownership are transferred to the customers, which occurs principally at the time of shipment.

(18) 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. The Chairman was indentified as the chief operating decision-maker of the Company.

The Company discloses the segment information on the financial statements in accordance with R.O.C. SFAS No. 41 "Operating Segments".

3. Changes in Accounting Principles

(1) Notes receivable/Accounts receivable/Other receivables

Effective January 1, 2011, the Company adopted the amended R.O.C. SFAS No. 34, "Financial Instruments: Recognition and Measurement". However, this change in accounting principle had no effect on the Company's net income and earnings per share for the six-month period ended June 30, 2011.

(2) Operating segments

Effective January 1, 2011, the Company adopted R.O.C. SFAS No. 41, "Operating Segments" which replaced R.O.C. SFAS No. 20, "Segment Reporting". Segment information for the prior period shall be restated when the Company applies this standard for the first time. This change in accounting principle had no effect on the Company's consolidated net income and earnings per share for the six-month period ended June 30, 2011.

4. Details of Significant Accounts

(1)Cash

	June 30	
	2012	2011
Petty cash	$ 100	$ 100
Checking accounts	237	307
Demand accounts	214,643	144,507
Time deposits	410,518	479,650
	$ 625,498	$ 624,564

(2)Accounts receivable

	June 30	
	2012	2011
Accounts receivable	$ 270,295	$ 256,463
Less: Allowance for doubtful accounts	(2,703)	(2,565)
	$ 267,592	$ 253,898

(3)Inventories

	June 30, 2012		
	Cost	Allowance	Book Value
Raw materials	$ 13,151	($ 3,537)	$ 9,614
Work in process	72,579	(4,941)	67,638
Finished goods	63,405	(11,676)	51,729
Total	$ 149,135	($ 20,154)	$ 128,981

	June 30, 2011		
	Cost	Allowance	Book Value
Raw materials	$ 7,812	($ 5,062)	$ 2,750
Work in process	44,886	(9,099)	35,787
Finished goods	38,500	(10,393)	28,107
Total	$ 91,198	($ 24,554)	$ 66,644

Expense and loss incurred on inventories for the six-month periods ended June 30, 2012 and 2011 were as follows:

	For the six-month periods ended June 30,	
	2012	2011
Cost of inventories sold	$ 465,621	$ 446,535
Loss on market price decline	7,400	13,300
	$ 473,021	$ 459,835

(4)Property, plant and equipment

	June 30, 2012		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 141,574	$ -	$ 141,574
Buildings	105,894	(11,352)	94,542
Machinery and equipment	36,808	(20,886)	15,922
Office equipment	19,145	(12,970)	6,175
Leasehold improvements	10,108	(6,637)	3,471
	$ 313,529	($ 51,845)	$ 261,684

	June 30, 2011		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 141,574	$ -	$ 141,574
Buildings	105,811	(7,447)	98,364
Machinery and equipment	30,574	(18,042)	12,532
Office equipment	16,580	(9,116)	7,464
Leasehold improvements	10,108	(5,484)	4,624
	$ 304,647	($ 40,089)	$ 264,558

No interest was capitalized to property, plant and equipment for the six-month periods ended June 30, 2012 and 2011.

(5) Pension plan

A. The Company has a non-contributory and fund defined benefit pension plan in accordance with the Labor Standards Law, which covered all regular employees before the enforcement of the Labor Pension Act (the “Act”) on July 1, 2005 and the employees who elect to be covered under the pension scheme of the Labor Standards Law after the enforcement of the Act. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

B. Effective July 1, 2005, the Company has established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act. Employees have the option to be covered under the New Plan. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are portable when the employment is terminated.

C. For the six-month periods ended June 30, 2012 and 2011, the pension costs under defined contribution pension plan were $3,401 and $3,196, respectively.

(6)Common stock

A The Company, during the Board of Directors' meeting on March 15, 2011, adopted a plan to retire 1,100,000 shares of common stock, at the effective date of capital reduction on March 31, 2011. As of April 8, 2011, the Company had completed the procedures for registration of this capital decrease.

B As of June 30, 2011, the Company's authorized capital amounted to $600,000 (including $90,000 reserved for employee stock options), and the paid-in capital was $386,151 with a par value of $10 (in dollars) per share.

(7)Capital reserve

	June 30,	
	2012	2011
Additional paid-in capital	$ 369,133	$ 369,133

The R.O.C. Securities and Exchange Law requires that capital reserve shall be exclusively used to cover accumulated deficits or to increase capital and shall not be used for any other purpose. However, capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations can be capitalized once a year, provided that the Company has no accumulated deficits and the amount to be capitalized does not exceed 10% of the paid-in capital.

(8) Retained earnings

A. According to the Company's Articles of Incorporation, 10% of its net income, after offsetting any accumulated deficit, shall be set aside as legal reserve until legal reserve is equal to issued capital, and an amount equal to the deduction item in stockholders' equity shall be set aside as special reserve according to ROC securities regulations. A portion of the remainder can be retained for necessary working capital, and the balance shall be appropriated as follows:

(a) No less than 5% as bonuses to employees.

(b) 2% as remuneration to directors.

(c) After the above appropriations, the Company retains a portion of remaining earnings (including beginning balances) before being distributed to stockholders.

The distribution of employees' bonuses may include the employees of the Company's subsidiaries under the conditions set by the Board of Directors.

B. The Company's dividend policy considers the current operating situation, based on the principle of dividend stability and considering factors such as the future investment environment, fund requirements, domestic and international competition, the benefit to stockholders and long-term financial planning. Distribution of profits could be made in the form of both stock dividends and cash dividends. The cash dividends should not be less than 10% of the total dividends.

C. Except for covering accumulated deficit or issuing new stock or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

D. The appropriation of 2011 and 2010 earnings had been resolved at the stockholders' meetings held on June 27, 2012, and June 9, 2011, respectively.

	2011		2010	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Cash dividend	$ 46,338	$ 1.2	$ 123,568	$ 3.2

E. For the six-month periods ended June 30, 2012 and 2011, the estimated amounts of employees' bonus was $11,693 and $14,803, respectively, and directors' and supervisors' remuneration was $935 and $1,184, respectively. Information on the appropriation of the Company's employees' bonus and directors' and supervisors' remuneration as resolved by the Board of Directors and approved by the stockholders will be posted on the "Market Observation Post System" website of the Taiwan Stock Exchange. The actual 2011 distribution of earnings and estimated amounts were the same. If the estimated amounts are different from actual 2011 distribution of earnings, the difference will be recognized as gain or loss in 2012.

(9) Treasury stock

Changes in the number of treasury stock, classified by the purpose of acquisition, were as follows:

	June 30, 2011 (in thousands of shares)			
Reason of reacquiring	Beginning shares	Additions	Disposals	Ending shares
For the conversion of the 2nd unsecured convertible bonds	1,100	-	(1,100)	-

A. Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital reserve. The Company's Board of Directors passed a resolution to buy back treasury stock calculated on the basis of recent audited financial statements. The number of shares and amounts bought back as treasury stock did not exceed the amount limit.

B. Pursuant to the R.O.C. Securities and Exchange Law, treasury stock should not be pledged as collateral and is not entitled to dividends before it is reissued to the employees.

C. Pursuant to the R.O.C. Securities and Exchange Law, treasury stocks should be reissued to the employees within three years and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

D. On March 15, 2011, the Board of Directors decided to retire 1,100 thousand shares of treasury stock, and the procedures for reducing capital and changing registration information were completed on April 8, 2011. The retirement of treasury stock amounted to $122,673, resulting in the reduction of common stock by $11,000, paid-in capital in excess of par value by $10,480 and retained earnings by $101,193.

(10)Income tax

A.Income tax expense and payable are reconciled as follows:

	For the six-month periods ended June 30,	
	2012	2011
Tax on pretax income at statutory tax rate	$ 13,110	$ 12,689
Tax effect of permanent differences	3,499	-
Tax effect of investment tax credits	3,756	(4,087)
Under provision of prior year's income tax	3	99
Additional 10% corporate income tax on unappropriated earnings	4,782	147
Income tax expense	25,150	8,848
Net change in deferred income tax assets	(15,292)	(122)
Under provision of prior year's income tax	(3)	(99)
Prepaid income tax	(207)	(172)
Income tax payable	$ 9,648	$ 8,455

B.As of June 30, 2011 and 2010, the balance of deferred income tax assets were as follows:

	June 30	
	2012	2011
Deferred income tax assets-current	$ 8,277	$ 17,257
Deferred income tax assets-non current	$ 7,785	$ 23,302

C.Details of temporary differences and investments tax credits resulting in deferred income tax assets were as follows:

	June 30			
	2012		2011	
	Amount	Tax effect	Amount	Tax effect
Current items:				
Temporary differences:				
Allowance for decline in market value and obsolescence of inventories	$ 20,154	$ 3,426	$ 24,554	$ 4,174
Unrealized exchange losses	3,984	677	20,453	3,477
Allowance for doubtful accounts	906	154	-	-
Investment tax credits		4,020		9,606
		8,277		17,257
Valuation allowance		-		-
		8,277		17,257
Non-current items:				
Investment tax credits		7,785		23,302
Valuation allowance		-		-
		7,785		23,302
		$ 16,062		$ 40,559

D.As of June 30, 2012 and 2011, the balance of the imputation tax credit account was $5,048 and $27,928, respectively. The creditable tax rate was 41.52% for 2011 and is estimated to be 4.98% for 2012.

E.The unappropriated earnings were as follows:

	June 30, 2012	June 30, 2011
Earnings generated in and after 1998	$ 101,271	$ 67,261

F.As of June 30, 2012, the Company's income tax returns through 2009 have been assessed and approved by the Tax Authority.

G.The Company is entitled to investment tax credits arising from research and development expenditures pursuant to the Statute for Upgrading Industries. The investment tax credits may be applied over a period of five years to offset against income tax payable. As of June 30, 2012, the Company is entitled to the following tax incentives:

Year of Investment	Applicable Law	Selected Tax Incentive	Approval by the Ministry of Finance	Tax Exemption Period
Capitalization of retained earnings and employee bonuses in year 2005	Emerging, important, and strategic industry	Tax exemption from corporate income tax for five years	September 2008	2009.01.01~ 2013.12.31
Capital increase in year 2006, and capitalization of retained earnings and employee bonuses in year 2006	Emerging, important, and strategic industry	Tax exemption from corporate income tax for five years	-	Related project has not been completed

H.As of June 30, 2012, unused tax credits and their respective years of expiration were as follows:

Qualifying item	Total tax credits	Unused tax credits	Final year tax credits are due
Research and development	$ 17,374	$ 4,020	2012
Research and development	7,785	7,785	2013

(11)Earnings per share

	2012				
	Amount		Weighted-average outstanding common shares	Earnings per share (in dollars)	
	Before tax	After tax	(Note)	Before tax	After tax
Basic earnings per share:					
Net income attributable to common stockholders	$ 77,126	$ 51,976	38,615	$ 2.00	$ 1.35
Effects of potential diluted earnings per share:					
Employees' bonus	-	-	335		
Dilutive effect of common stock equivalents:					
Net income attributable to common stockholders plus dilutive effect of common stock	$ 77,126	$ 51,976	38,950	$ 1.98	$ 1.33

	2011				
	Amount		Weighted-average outstanding common shares	Earnings per share (in dollars)	
	Before tax	After tax	(Note)	Before tax	After tax
Basic earnings per share:					
Net income attributable to common stockholders	$ 74,639	$ 65,791	38,615	$ 1.93	$ 1.70
Effects of potential diluted earnings per share:					
Employees' bonus	-	-	-		
Dilutive effect of common stock equivalents:					
Net income attributable to common stockholders plus dilutive effect of common stock	$ 74,639	$ 65,791	38,615	$ 1.93	$ 1.70

Note: in thousands of shares

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

(12)Personnel expenses, depreciation and amortization

The personnel expenses, depreciation and amortization for the six-month period ended June 30, 2012 and 2011, respectively were as follows:

	For the six-month period ended June 30, 2012		
	Operating Cost	Operating expenses	Total
Personnel expenses			
Salaries	$ 9,093	$ 56,702	$ 65,795
Labor and health insurance	721	3,481	4,202
Pension expense	512	2,889	3,401
Others	227	1,089	1,316
Depreciation	1,882	4,973	6,855
Amortization	3,850	6,368	10,218

	For the six-month period ended June 30, 2011		
	Operating Cost	Operating expenses	Total
Personnel expenses			
Salaries	$ 8,761	$ 57,567	$ 66,328
Labor and health insurance	540	3,319	3,859
Pension expense	437	2,759	3,196
Others	200	1,075	1,275
Depreciation	536	4,857	5,393
Amortization	3,717	6,559	10,276

5. Related party transactions

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

Names of related parties	Relationship with the Company
Directors, General Manager and Vice General Manager	Key management personnel of the Company

(2) Significant related party transactions

None.

6. Pledged assets

Assets pledged as collateral as of June 30, 2012 and 2011, were as follows:

		June 30,	
Assets Pledged	Purpose	2012	2011
Time deposits (Shown under other financial assets – current)	Guarantees for customs duty on imports	$ 535	$ 529

7. Commitments

The Company entered into an operating lease for office premises. As of June 30, 2012, future minimum lease payments under the existing lease agreement were as follows:

Period	Amount
2012.07.01 ~ 2014.09.30	$ 1,319

8. Significant Casualty Loss : None.

9. Significant Subsequent Event : None.

10. Other Information:

(1) Fair values of the financial instruments

	June 30, 2012		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation technique
Non-derivative financial instruments:			
Assets			
Financial assets with fair values equal to book values	$ 894,703	$ -	$ 894,703
Liabilities			
Financial liabilities with fair values equal to book values	315,651	-	315,651
Derivative financial instruments: None			

	June 30, 2011		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation technique
Non-derivative financial instruments			
Assets			
Financial assets with fair values equal to book values	$ 880,035	$ -	$ 880,035
Liabilities			
Financial liabilities with fair values equal to book values	317,224	-	317,224
Derivative financial instruments : None			

The methods and assumptions used to estimate the fair values of the above financial instruments are summarized below:

i. For short-term instruments, the fair values were determined based on their carrying values because of the short maturities of the instruments. This applies to cash, accounts/notes receivable, and accounts/notes payable.

ii. Financial assets are measured based on their fair market value when they are publicly quoted in active markets, otherwise, they are to be valued assuming all information provided are like other participants in the market. This applies to bonds payable and financial assets at fair value through profit or loss-current.

(2) Information on interest risk

As of June 30, 2012 and 2011, the financial assets with fair value risk due to the change in interest rate amounted to $386,019 and $337,279, respectively, and the financial liabilities were $0 for both years; the financial assets with cash flow risk due to the change in interest rate amounted to $239,677 and $287,407, respectively, and the financial liabilities were $0 for both years.

(3) Procedure of financial risk control and hedge

The Company’s activities expose the Company to variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Company’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company’s financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Company Treasury) in accordance with the policies approved by the Board of Directors. Company Treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

To meet its risk management objectives, the Company adopts the following strategies to control financial risk：

A. Foreign exchange risk

To hedge cash flow fair value risk arising from fluctuations in exchange rates, the Company undertakes derivative financial instruments such as forward exchange contracts to hedge recognized assets and liabilities denominated in foreign currencies and highly probable forecast transactions. To mitigate foreign exchange risk, the Company also closely monitors the fluctuations in interest rates and sets a stop-loss amount on the derivatives undertaken.

B. Credit risk

The Company has a stringent credit policy in place. Transactions are conducted only with counterparties with good credit conditions. Appropriate measures are also undertaken where necessary to protect the Company's credit rights and thereby mitigate credit risk.

(4) Disclosures on major financial risk

A. Market risk

The Company adopts forward contracts to hedge the currency exchange risk. As the amounts and periods of the Company's foreign currency exposure and forward contracts are similar, the Company estimates no material risk would arise.

The foreign exchange risk largely arises from the Company's business that is not denominated in the functional currency. Financial assets and financial liabilities relevant to foreign exchange risk were as follows:

	For the six-month periods ended June 30,			
	2012		2011	
	Foreign Currency	Exchange rate	Foreign Currency	Exchange rate
Financial Assets				
Monetary item				
USD:NTD	$ 21,789	29.88	$ 21,162	28.725
RMB:NTD	258	4.701	87	4.465
Financial Liabilities				
Monetary item				
USD:NTD	4,380	29.88	1,940	28.725
RMB:NTD	68	4.701	50	4.465

B. Credit risk

It is unlikely for the Company to be exposed to credit risk in its derivative financial instruments transactions since the counterparty the Company traded with were all well-known banks, which are not likely to breach the contracts. In addition, since the Company has continued to evaluate the collectibility of its receivables and recorded proper allowances, the value of the receivables are considered properly reflected in the books.

C. Price risk

The Company has adequate operating capital to meet its contract obligations.

11. Additional Disclosures Required by The Securities and Futures Bureau

(1) Related information of significant transactions

(a) Loans granted to others: None.

(b) Endorsements and guarantees for others: None.

(c) Details of marketable securities as of June 30, 2012: None.

(d) Acquisition or sale of the same security with the accumulated cost exceeding $100 million or 20% of the Company's paid-in capital during the six-month period ended June 30, 2012 : None.

(e) Acquisition of real estate properties exceeding $100 million or 20% of the Company's paid-in capital during the six-month period ended June 30, 2012: None.

(f) Disposal of real estate properties exceeding $100 million or 20% of the Company's paid-in capital during the six-month period ended June 30, 2012: None.

(g) Purchases and sales transactions with related parties for the six-month period ended June 30, 2012 over $100 million or 20% of the Company's capital stock: None.

(h) Receivables from related parties exceeding $100 million or 20% of the Company's paid-in capital stock as of June 30, 2012: None.

(i) Derivative financial instrument transactions: None.

(2) Information of investee companies: None.

(3) Relevant information regarding investment in Mainland China: None.

12. Operating Segments:

(1) General information

The Company mainly operates in one segment. The chief operating decision-maker reviews the Company's reporting to assess performance and allocate resources. The Company mainly has a single reportable segment.

(2) Segment information

The Chairman is identified as the chief operating decision-maker, who assesses the segment performance through the financial statements for operating decisions, allocating resources and assessing performance.

(3) Operating profit, assets and liabilities of segment

	For the six-month periods ended June 30, 2012	For the six-month periods ended June 30, 2011
Sales of segment	$ 665,550	$ 645,030
Operating profit of segment	82,215	79,061
Total assets of segment	1,345,229	1,302,864

(4) Adjustment to operating profit, assets and liabilities of segment

The information provided to the chief operating decision-maker on segment sales, profit or loss, assets and liabilities and financial statements are determined consistently with the external reporting without any adjustments.

13. Disclosures Relating to The Adoption of IFRSs

Pursuant to the regulations of the Financial Supervisory Commission, Executive Yuan, R.O.C., effective January 1, 2013, a public company whose stock is listed on the Taiwan Stock Exchange Corporation or traded in the GreTai Securities Market should prepare financial statements in accordance with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), and relevant interpretations and interpretative bulletins that are ratified by the Financial Supervisory Commission.

The Company discloses the following information in advance prior to the adoption of IFRSs under the requirements of Jin-Guan-Zheng-Shen-Zi Order No. 0990004943 of the Financial Supervisory Commission, dated February 2, 2010:

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

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

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

B. Material differences that may arise between the current accounting policies used in the preparation of financial statements and the IFRSs and "Rules Governing the Preparation of Financial Statements by Securities Issuers" that will be used in the preparation of financial statements in the future and the impact of such differences are outlined below:

The Company uses the IFRSs already ratified currently by the Financial Supervisory Commission and the “Rules Governing the Preparation of Financial Statements by Securities Issuers” that are expected to be applied in 2013 as the basis for evaluation of material differences in accounting policies as mentioned above. However, the Company’s current evaluation results may be different from the actual differences that may arise when new issuances of or amendments to IFRSs are subsequently ratified by the Financial Supervisory Commission or relevant interpretations or amendments to the “Rules Governing the Preparation of Financial Statements by Securities Issuers” come in the future. Therefore, the actual impact of those differences may also change. Material differences identified by the Company that may arise between current accounting policies used in the preparation of financial statements and IFRSs and “Rules Governing the Preparation of Financial Statements by Securities Issuers” that will be used in the preparation of financial statements in the future, and the effects of exemptions selected by the Company under IFRS 1 – First-time Adoption of International Financial Reporting Standards (refer to Note 13(c)) are set forth below:

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

	Accounting Standards in R.O.C.	Adjustments	IFRSs	Remark
Deferred income tax assets-current	$ 19,814	($ 19,814)	$ -	(1)
Deferred income tax assets-non-current	11,540	19814	31,354	(1)
Prepaid pension cost	2,565	142	2,707	(2)
Others	1,136,527	-	1,136,527	
Total assets	$ 1,170,446	$ 142	$ 1,170,588	
Accrued expenses	$ 33,250	$ 2,217	$ 35,467	(3)
Others	124,740	-	124,740	
Total liabilities	$ 157,990	$ 2,217	160,207	
Retained earnings	$ 257,172	($ 2,075)	$ 255,097	
Others	755,284	-	755,284	
Total stockholders’ equity	$ 1,012,456	($ 2,075)	$ 1,010,381	

Reasons for differences are outlined below:

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

(2) The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, “Employee Benefits”, requires an entity to determine the rate used to discount employee benefits with reference to market yields on high quality corporate bonds that match the currency at the end day of the reporting period and duration of its pension plan; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end day of the

reporting period) instead. Besides, in accordance with current accounting standards in the R.O.C., the unrecognized transitional net benefit obligation should be amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, in accordance with IAS 19, "Employee Benefits", the unrecognized transitional net benefit obligation should be recognized as an expense immediately at the date of adoption. Due to the above differences and in order to eliminate the difference in employee benefits upon adoption of IFRS, the Company increased the accrued prepaid pension cost by $142 and simultaneously increased retained earnings by $142 on transition date.

(3) The current accounting standards in R.O.C. do not specify the rules on recognition of the cost of accumulated unused compensated absences. The Company recognized such cost as expense upon actual payment. However, IAS 19, "Employee Benefits", requires that cost of accumulated unused compensated absences should be accrued as expense at the end of the reporting period. Therefore, the Company increased accrued expenses by $2,217 and decreased retained earnings by $2,217 at the opening IFRS balance sheet date.

2. Material differences of adjustments on assets and liabilities as of June 30, 2012.

	Accounting Standards in R.O.C.	Adjustments	IFRSs	Remark
Deferred income tax assets-current	$ 8,277	($ 8,277)	$ -	(1)
Deferred income tax assets-non-current	7,785	8,277	16,062	(1)
Prepaid pension cost	2,707	-	2,707	
Others	1,326,460	-	1,326,460	
Total assets	$ 1,345,229	$ -	$ 1,345,229	
Accrued expenses	$ 25,984	$ 1,850	$ 27,834	(2)
Others	303,151	-	303,151	
Total liabilities	$ 327,135	$ 1,850	$ 328,985	
Retained earnings	$ 262,810	($ 1,850)	$ 260,960	
Others	755,284	-	755,284	
Total stockholders' equity	$ 1,018,094	($ 1,850)	$ 1,016,244	

Reasons for differences are outlined below:

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

(2) The current accounting standards in R.O.C. do not specify the rules on recognition of the cost of accumulated unused compensated absences. The Company recognized such cost as expense upon actual payment. However, IAS 19, "Employee Benefits", requires that cost of accumulated unused compensated absences should be accrued as expense at the end of the reporting period. Therefore, the Company increased accrued expenses by $1,850 and

decreased retained earnings by $1,850 on June 30, 2012.

3. Material differences of adjustments on profit or loss for the six-month period ended June 30, 2012.

	Accounting Standards in R.O.C.	Adjustments	IFRSs	Remark
Operating revenue	$ 665,550	$ -	$ 665,550	
Operating costs	(473,021)	(288)	(473,309)	(1)
Operating expenses	(110,314)	(1,562)	(111,876)	(1)
Non-operating income	82,215	(1,850)	80,365	
Non-operating revenue and expenses	(5,089)	-	(5,089)	
Income before tax	77,126	(1,850)	75,276	
Income tax expense	(25,150)	-	(25,150)	
Net income	$ 51,976	($ 1,850)	$ 50,126	

Reasons for differences are outlined below:

(1) The current accounting standards in R.O.C. do not specify the rules on recognition of the cost of accumulated unused compensated absences. The Company recognized such cost as expense upon actual payment. However, IAS 19, "Employee Benefits", requires that cost of accumulated unused compensated absences should be accrued as expense at the end of the reporting period. Therefore, the Company increased accrued expenses by $1,850 and increased the operating cost by $288 and increased the operating cost by $1,562 for the first half of the year.

C. The Company elected to use the following exemptions in accordance with IFRS 1 "First-time adoption of International Financial Reporting Standards" and "Rules Governing the Preparation of Financial Statements by Securities Issuers" effective in 2013.

- Employee benefits

The Company elects to recognize all actuarial gains or losses up to the transition date into retained earnings.

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