ADVANCED ANALOG TECHNOLOGY, INC.

FINANCIAL STATEMENTS AND REPORT

OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2013 AND 2012

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 13001963

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

We have audited the accompanying balance sheets of Advanced Analog Technology, Inc. as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related statements of comprehensive income, of changes in stockholders' equity and of cash flows for the years ended December 31, 2013 and 2012. 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 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 standards in the Republic of China. Those 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 financial statements referred to above present fairly, in all material respects, the financial position of Advanced Analog Technology, Inc. as of December 31, 2013, December 31, 2012 and January 1, 2012, and its financial performance and 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.

PricewaterhouseCoopers, Taiwan

Hsinchu, Taiwan

Republic of China

February 21, 2014

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
DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012
(Expressed in thousands of New Taiwan dollars)

			December 31, 2013		December 31, 2012		January 1, 2012	
	Assets	Notes	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 802,497	49	$ 522,764	42	$ 540,773	46
1110	Financial assets at fair value through profit or loss - current	6(2)	60	-	-	-	-	-
1170	Accounts receivable, net	6(3)	348,633	22	255,776	20	189,868	16
1200	Other receivables		4,444	-	6,429	1	919	-
130X	Inventory	6(4)	160,690	10	118,332	10	83,114	7
1410	Prepayments		3,260	-	3,372	-	8,144	1
1470	Other current assets	8	541	-	534	-	529	-
11XX	**Total current assets**		1,320,125	81	907,207	73	823,347	70
	Non-current assets							
1600	Property, plant and equipment	6(5)and8	251,871	16	257,636	21	266,493	23
1780	Intangible assets	6(6)	53,569	3	54,265	4	45,632	4
1840	Deferred income tax assets	6(18)	2,986	-	26,875	2	31,354	3
1900	Other non-current assets		3,055	-	5,098	-	3,762	-
15XX	**Total non-current assets**		311,481	19	343,874	27	347,241	30
1XXX	**Total assets**		$ 1,631,606	100	$ 1,251,081	100	$ 1,170,588	100

(Continued)

ADVANCED ANALOG TECHNOLOGY, INC.
BALANCE SHEETS
DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2013 Amount	%	December 31, 2012 Amount	%	January 1, 2012 Amount	%
	Current liabilities							
2170	Accounts payable		$ 179,757	11	$ 117,672	9	$ 84,420	7
2200	Other payables	6(7)	69,698	4	56,773	5	61,819	5
2230	Current income tax liabilities	6(18)	10,057	1	12,400	1	10,175	1
2300	Other current liabilities		2,188	-	2,854	-	3,793	1
21XX	**Total current liabilities**		261,700	16	189,699	15	160,207	14
	Non-current liabilities							
2530	Bonds payable	6(8)	292,920	18	-	-	-	-
2600	Other non-current liabilities		4,694	-	10,742	1	-	-
25XX	**Total non-current liabilities**		297,614	18	10,742	1	-	-
2XXX	**Total liabilities**		559,314	34	200,441	16	160,207	14
	Share capital	6(10)						
3110	Common stock		386,151	24	386,151	31	386,151	33
	Capital surplus`	6(11)						
3200	Capital surplus		371,443	23	369,133	29	369,133	31
	Retained earnings	6(12)						
3310	Legal capital reserve		170,485	10	161,539	13	151,076	13
3350	Unappropriated retained earnings		144,213	9	133,817	11	104,021	9
3XXX	**Total equity**		1,072,292	66	1,050,640	84	1,010,381	86
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date	11						
	Total liabilities and equity		$ 1,631,606	100	$ 1,251,081	100	$ 1,170,588	100

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

ADVANCED ANALOG TECHNOLOGY, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	2013 Amount	2013 %	2012 Amount	2012 %
4000	**Sales revenue**		$ 1,128,407	100	$ 1,242,128	100
5000	**Operating costs**	6(4)(14)(15)	(843,834)	(75)	(908,904)	(73)
5950	**Net operating margin**		284,573	25	333,224	27
	Operating expenses	6(14)(15)				
6100	Selling expenses		(22,015)	(2)	(21,998)	(2)
6200	General and administrative expenses		(46,784)	(4)	(39,383)	(3)
6300	Research and development expenses		(141,809)	(12)	(145,631)	(12)
6000	**Total operating expenses**		(210,608)	(18)	(207,012)	(17)
6900	**Operating profit**		73,965	7	126,212	10
	Non-operating income and expenses					
7010	Other income (expense)	6(16)	22,690	2	(93)	-
7020	Other gains and losses	6(17)	3,586	-	(21,820)	(2)
7050	Finance costs	6(13)	(212)	-	(1)	-
7000	**Total non-operating income and expenses**		26,064	2	(21,914)	(2)
7900	**Profit before income tax**		100,029	9	104,298	8
7950	Income tax expense	6(18)	(34,349)	(3)	(17,287)	(1)
8200	**Profit for the year**		$ 65,680	6	$ 87,011	7
	Other comprehensive loss					
8360	Actuarial loss on defined benefit plan	6(9)	$ -	-	($ 414)	-
8300	**Other comprehensive loss for the year, net of tax**		$ -	-	($ 414)	-
8500	**Total comprehensive income for the year**		$ 65,680	6	$ 86,597	7
	Earnings per share					
9750	**Basic earnings per share (In dollars)**	6(19)	$ 1.70		$ 2.25	
9850	**Diluted earnings per share (In dollars)**	6(19)	$ 1.63		$ 2.20	

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

ADVANCED ANALOG TECHNOLOGY, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars)

			Retained Earnings		
	Share capital - common stock	Capital surplus, additional paid-in capital	Legal reserve	Unappropriated retained earnings	Total equity
2012					
Balance at January 1, 2012	$ 386,151	$ 369,133	$ 151,076	$ 104,021	$ 1,010,381
Distribution of 2011 retained earnings (Note 1)					
Legal reserve	-	-	10,463	(10,463)	-
Cash dividends	-	-	-	(46,338)	(46,338)
Profit for the year	-	-	-	87,011	87,011
Other comprehensive loss for 2012	-	-	-	(414)	(414)
Balance at December 31, 2012	$ 386,151	$ 369,133	$ 161,539	$ 133,817	$ 1,050,640
2013					
Balance at January 1, 2013	$ 386,151	$ 369,133	$ 161,539	$ 133,817	$ 1,050,640
Capital surplus from issuance of convertible bonds	-	2,310	-	-	2,310
Distribution of 2012 retained earnings (Note 2)					
Legal reserve	-	-	8,946	(8,946)	-
Cash dividends	-	-	-	(46,338)	(46,338)
Profit for the year	-	-	-	65,680	65,680
Balance at December 31, 2013	$ 386,151	$ 371,443	$ 170,485	$ 144,213	$ 1,072,292

Note 1: The estimated employees' bonus of $23,541 and directors' and supervisors' remuneration of $1,883 in 2011 have been deducted from the statement of income.
Note 2: The estimated employees' bonus of $20,129 and director's and supervisors' remuneration of $1,610 in 2012 have been deducted from the statement of income.

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

ADVANCED ANALOG TECHNOLOGY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax for the year	$ 100,029	$ 104,298
Adjustments to reconcile profit before tax to net cash provided by operating activities		
Income and expenses having no effect on cash flows		
(Reversal of allowance) provision for doubtful accounts	(2,583)	786
Depreciation	9,883	12,241
Amortization	20,061	20,105
Gain on financial assets at fair value through profit or loss	(30)	-
Interest expense	212	1
Interest income	(3,833)	(4,584)
Loss on disposal of property, plant and equipment	-	66
Reclassification of intangible assets to expenses	8,195	11,200
Changes in assets/liabilities relating to operating activities		
Net changes in assets relating to operating activities		
Accounts receivable	(90,274)	(66,574)
Other receivables	1,772	(5,110)
Inventory	(42,358)	(35,218)
Prepayments	112	4,772
Prepaid pension cost	2,028	(1,745)
Net changes in liabilities relating to operating activities		
Accounts payable	62,085	33,252
Other payables	11,251	(5,526)
Advance receipts	(15)	107
Other current liabilities	(651)	(1,046)
Other non-current liabilities	(6,048)	10,742
Cash generated from operations	69,836	77,767
Income tax paid	(12,803)	(10,583)
Interest received	4,046	4,064
Net cash provided by operating activities	61,079	71,248
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in other financial assets	(7)	(5)
Acquisition of property, plant and equipment	(2,444)	(3,122)
Proceeds from disposal of property, plant and equipment	-	152
Increase in intangible assets	(27,560)	(39,938)
Decrease in guarantee deposits out	15	-
Increase in guarantee deposits out	-	(5)
Net cash used in investing activities	(29,996)	(42,918)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(12)	(1)
Payment of cash dividends	(46,338)	(46,338)
Proceeds from issuance of convertible bonds	295,000	-
Net cash provided by (used in) financing activities	248,650	(46,339)
Increase (decrease) in cash and cash equivalents	279,733	(18,009)
Cash and cash equivalents at beginning of year	522,764	540,773
Cash and cash equivalents at end of year	$ 802,497	$ 522,764

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

ADVANCED ANALOG TECHNOLOGY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

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 December 31, 2013, the Company had 110 employees.

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

These financial statements were authorised for issuance by the Board of Directors on February 21, 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 as endorsed by the Financial Supervisory Commission (“FSC”)

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

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

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 (Through the amendments to IFRS 9 published on November 19, 2013, the IASB has removed the previous mandatory effective date, but the standard is available for immediate application). 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 Company.

C. The Company has not evaluated the overall effect of the IFRS 9 adoption. However, based on preliminary evaluation, it was noted that the IFRS 9 adoption does not have significant impact on the financial statements.

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

The following are the new standards and amendments issued by IASB but not yet endorsed by the FSC (application of the new standards and amendments should follow the regulations of the FSC):

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
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

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
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
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

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
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 expense, is recognised in other comprehensive income.	January 1, 2013
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
Improvements to IFRSs 2009- 2011	Amendments to IFRS 1 and IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
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 admendments to IFRS 9, IFRS 7 and IAS 39	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 from financial liabilities that are designated under the fair value option in ‘other comprehensive income’.	November 19, 2013 (Not mandatory)
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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these 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 financial statements are the first financial statements prepared by the Company 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 as of January 1, 2012 (the Company’s date of transition to IFRSs) (“the opening IFRS balance sheet”), the Company has adjusted the amounts that were reported in the 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 Company’s financial position, financial performance and cash flows.

(2) Basis of preparation

A. Except for the following items, these financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Defined benefit liabilities recognized based on the net amount of pension fund assets plus unrecognized prior period’s service cost and unrecognized actuarial losses, and less unrecognized actuarial gains and present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

The financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

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 recognized 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 recognized 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) Foreign exchange gains and losses that relate to cash and cash equivalents and borrowings are presented in the statement of comprehensive income within ‘other income’ or ‘finance costs’. All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within ‘other gains and losses’.

(4) 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 realized, 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 realized 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.

(5) Cash and cash equivalents

A. In the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

B. Cash equivalents refer to short-term highly liquid investments that meet both the following criteria:

(a) Readily convertible to known amount of cash; and

(b) Subject to an insignificant risk of changes in value.

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

A. Financial assets at fair value through profit or loss refer to financial assets designated as measured at fair value through profit or loss on initial recognition. The Company has designated hybrid (combined) contracts as financial assets at fair value through profit or loss on initial recognition.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(7) Loans and receivables

Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity when selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

A. The Company 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 Company uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the debtor;

(b) The Company, for economic or legal reasons relating to the borrower’s financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(c) It becomes probable that the borrower will enter bankruptcy or other financial reorganization; or

(d) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows:

For financial assets measured at amortized 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 recognized 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 recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(9) Derecognition of financial assets

The Company 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 weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads. 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial periods in which they are incurred.

C. Land is not depreciated. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.

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:

Buildings	10~50 years
Machinery and equipment	3~10 years
Utility equipment	1~5 years
Leasehold assets	5~10 years

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

(12) Intangible assets

A. Internally generated intangible assets－research and development expenditures

(a) Development expenditures that do not meet the following criteria are recognised as expenses as incurred, but are recognised as intangible assets when the following criteria are met:

i. It is technically feasible to complete the intangible asset so that it will be available for use or sale;

ii. An entity intends to complete the intangible asset and use or sell it;

iii. An entity has the ability to use or sell the intangible asset;

iv. It can be demonstrated how the intangible asset will generate probable future economic benefits;

v. Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

vi. The expenditure attributable to the intangible asset during its development can be reliably measured.

(b) Upon being available for use, internally generated intangible assets are amortised on a straight-line basis over their estimated useful life of 2 years.

B. Patent

Patent is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 years.

C. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 10 years.

D. Intangible assets, mainly Masks and Network Engineering, are amortised on a straight-line basis over their estimated useful lives of 1~2 years.

(13) Impairment of non-financial assets

The Company 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 recognized 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 and 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 recognized in profit or loss.

(14) 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 recognized initially at fair value and subsequently measured at a mortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(15) 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.

(16) Financial liabilities and equity instruments

Bonds payable

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares) and call options. The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus—stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

(a) Call options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

(b) Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

(c) Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognised in 'capital surplus—stock warrants' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable—net' as stated above. Conversion options are not subsequently remeasured.

(d) Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

(e) When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above mentioned liability component plus the book value of capital surplus – stock warrants.

(17) 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 recognized as expenses in that period when the employees render service.

B. Pensions

(a) 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.

(b) Defined benefit plans

i. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in such corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

ii. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the periods in which they arise.

iii. Past service costs are recognised immediately in profit or loss if vested immediately; if not, the past service costs are amortised on a straight-line basis over the vesting period.

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

Employees' bonus and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal 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 recognized based on the accounting for changes in estimates. The Company calculates the number of shares of employees' stock bonus based on the fair value per share at the previous day of the stockholders' meeting held in the year following the financial reporting year, after taking into account the effects of ex-rights and ex-dividends.

(18) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax charge 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. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheets. 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 realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized 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, unrecognized and recognized 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 recognized amounts and there is an intention to settle on a net basis or realize 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 realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(19) Share capital

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

B. Where the Company repurchases the Company’s equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company’s equity holders.

(20) Dividends

Dividends are recorded in the Company’s financial statements in the periods 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 on the effective date of new shares issuance.

(21) Revenue recognition

The Company designs, manufactures and sells analog ICs. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods should be recognized when the Company 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 Company 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.

(22) 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, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chairman of the Board that makes strategic decisions.

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

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

(1) Critical judgements in applying the Company accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Realisability of deferred income tax assets

Deferred income tax assets are recognized 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 realisability of deferred income tax assets involves critical accounting judgements 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 Company recognized deferred income tax assets amounting to $2,986.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company 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 a valuation of inventories is principally based on the demand for the products within the specified periods in the future. Therefore, there might be material changes to the valuation.

As of December 31, 2013, the carrying amount of inventories was $160,690.

C. Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Company must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

As of December 31, 2013, the carrying amount of accrued pension obligations was $2,010. When the discount rate increases or decreases by 0.25%, the estimated prepaid pension expense will increase by $299 or decrease by $309, respectively.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand and petty cash	$ 100	$ 229	$ 100
Checking accounts	146	194	338
Demand deposits	136,471	114,571	116,441
Time deposits	665,780	407,770	423,894
	$ 802,497	$ 522,764	$ 540,773

A. The Company 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 Company's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

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

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

	December 31, 2013
Current items:	
Financial assets held for trading	
Redemption of convertible corporate bonds	$ 30
Valuation adjustment	30
	$ 60

The Company recognised net gain of $30 on financial assets held for trading for the year ended December 31, 2013.

(3)Accounts receivable

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivable	$ 348,634	$ 258,360	$ 191,786
Less: allowance for bad debts	(1)	(2,584)	(1,918)
	$ 348,633	$ 255,776	$ 189,868

A. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company's accounts receivable that were neither past due nor impaired had good credit quality.

B. Movements on the Company's provision for impairment of accounts receivable are as follows:

	2013	2012
At January 1	$ 2,584	$ 1,918
Reversal of impairment	(2,583)	-
Provision for doubtful accounts	-	666
At December 31	$ 1	$ 2,584

Allowance for bad debts is recognized for accounts receivable which may not be collected in the near future. When the Company believes that the probability of the collection of doubtful accounts receivable is lower than 50%, the allowance for bad debt and the accounts receivable will be written off directly.

C. 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：

	December 31, 2013	December 31, 2012	January 1, 2012
Group 1	$ 15	$ 113,500	$ 575
Group 2	70,606	50,418	27,708
Group 3	278,012	91,858	161,585
	$ $348,633	$ 255,776	$ 189,868

Note：

Group 1： New customers (less than 6 months from the first transaction).

Group 2： Existing customers (more than 6 months from the first transaction) that are unlisted companies.

Group 3： Existing customers (more than 6 months from the first transaction) that are listed companies.

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

E. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company holds commercial papers as security for accounts receivable, and the fair value of the collateral amounted to $36,000, $34,000 and $111,000, respectively.

(4)Inventories

	December 31, 2013		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 25,826	($ 3,306)	$ 22,520
Work-in-process	79,598	(4,377)	75,221
Finished goods	72,057	(9,108)	62,949
	$ 177,481	($ 16,791)	$ 160,690

	December 31, 2012		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 10,990	($ 3,054)	$ 7,936
Work-in-process	62,384	(4,472)	57,912
Finished goods	57,449	(4,965)	52,484
	$ 130,823	($ 12,491)	$ 118,332

	January 1, 2012		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 11,488	($ 2,932)	$ 8,556
Work-in-process	41,092	(3,685)	37,407
Finished goods	43,288	(6,137)	37,151
	$ 95,868	($ 12,754)	$ 83,114

The cost of inventories recognised as expense for the years ended December 31, 2013 and 2012 was $843,834 and $908,904, respectively, including the amount of $4,300 for the year ended December 31, 2013, that the Company wrote down from cost to net realisable value accounted for as cost of goods sold, and the amount of $264 for the year ended December 31, 2012, that the Company recognised as reduction in inventory cost as a result of gain from price recovery of inventory that were subsequently sold or scrapped.

(5)Property, plant and equipment

	Land	Buildings	Machinery	Office Equipment	Leasehold improvements	Total
At January 1, 2013						
Cost	$ 141,574	$ 105,894	$ 37,710	$ 18,895	$ 10,108	$ 314,181
Accumulated depreciation	-	(12,838)	(22,952)	(13,816)	(6,939)	(56,545)
	$ 141,574	$ 93,056	$ 14,758	$ 5,079	$ 3,169	$ 257,636
2013						
Opening net book amount	$ 141,574	$ 93,056	$ 14,758	$ 5,079	$ 3,169	$ 257,636
Additions	-	-	2,646	1,472	-	4,118
Depreciation charge	-	(2,974)	(3,874)	(2,436)	(599)	(9,883)
Closing net book amount	$ 141,574	$ 90,082	$ 13,530	$ 4,115	$ 2,570	$ 251,871
At December 31, 2013						
Cost	$ 141,574	$ 105,894	$ 40,356	$ 20,331	$ 10,108	$ 318,263
Accumulated depreciation	-	(15,812)	(26,826)	(16,216)	(7,538)	(66,392)
	$ 141,574	$ 90,082	$ 13,530	$ 4,115	$ 2,570	$ 251,871

	Land	Buildings	Machinery	Office Equipment	Leasehold improvements	Total
At January 1, 2012						
Cost	$ 141,574	$ 105,894	$ 35,639	$ 18,973	$ 10,108	$ 312,188
Accumulated depreciation	-	(9,865)	(18,782)	(10,724)	(6,324)	(45,695)
	$ 141,574	$ 96,029	$ 16,857	$ 8,249	$ 3,784	$ 266,493
2012						
Opening net book amount	$ 141,574	$ 96,029	$ 16,857	$ 8,249	$ 3,784	$ 266,493
Additions	-	-	2,994	608	-	3,602
Disposals	-	-	(218)	-	-	(218)
Depreciation charge	-	(2,973)	(4,875)	(3,778)	(615)	(12,241)
Closing net book amount	$ 141,574	$ 93,056	$ 14,758	$ 5,079	$ 3,169	$ 257,636
At December 31, 2012						
Cost	$ 141,574	$ 105,894	$ 37,710	$ 18,895	$ 10,108	$ 314,181
Accumulated depreciation	-	(12,838)	(22,952)	(13,816)	(6,939)	(56,545)
	$ 141,574	$ 93,056	$ 14,758	$ 5,079	$ 3,169	$ 257,636

A. For the years ended December 31, 2013 and 2012, the capitalized interest amounted to $0.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(6)Intangible assets

	Patents	Software	Others	Total
At January 1, 2013				
Cost	$ 755	$ 44,596	$ 33,142	$ 78,493
Accumulated amortisation	(469)	(17,813)	(5,946)	(24,228)
	$ 286	$ 26,783	$ 27,196	$ 54,265
2013				
Opening net book amount	$ 286	$ 26,783	$ 27,196	$ 54,265
Additions －acquired separately	633	3,589	23,338	27,560
Reclassifications	-	-	(8,195)	(8,195)
Amortisation charge	(304)	(13,421)	(6,336)	(20,061)
Closing net book amount	$ 615	$ 16,951	$ 36,003	$ 53,569
At December 31, 2013				
Cost	$ 871	$ 37,050	$ 41,041	$ 78,962
Accumulated amortisation	(256)	(20,099)	(5,038)	(25,393)
	$ 615	$ 16,951	$ 36,003	$ 53,569

	Patents	Software	Others	Total
At January 1, 2012				
Cost	$ 1,085	$ 33,274	$ 34,016	$ 68,375
Accumulated amortisation	(589)	(15,054)	(7,100)	(22,743)
	$ 496	$ 18,220	$ 26,916	$ 45,632
2012				
Opening net book amount	$ 496	$ 18,220	$ 26,916	$ 45,632
Additions －acquired separately	286	20,590	19,062	39,938
Reclassifications	-	-	(11,200)	(11,200)
Amortisation charge	(496)	(12,027)	(7,582)	(20,105)
Closing net book amount	$ 286	$ 26,783	$ 27,196	$ 54,265
At December 31, 2012				
Cost	$ 755	$ 44,596	$ 33,142	$ 78,493
Accumulated amortisation	(469)	(17,813)	(5,946)	(24,228)
	$ 286	$ 26,783	$ 27,196	$ 54,265

A.Details of amortization on intangible assets are as follows:

	For the years ended December 31,	
	2013	2012
Operating costs	$ 5,563	$ 6,956
Selling expenses	40	-
Administrative expenses	1,825	1,954
Research and development expenses	12,633	11,195
	$ 20,061	$ 20,105

B.For the years ended December 31, 2013 and 2012, the capitalized interest amounted to $0.

(7)Other payables

	December 31, 2013	December 31, 2012	January 1, 2012
Accrued salaries	$ 18,207	$ 4,938	$ 15,434
Accrued directors' and employees' bonuses	14,182	21,739	25,424
Others	37,309	30,096	20,961
	$ 69,698	$ 56,773	$ 61,819

(8)Bonds payable

	December 31, 2013
Secured and convertible corporate bond	$ 309,090
Less: discount on bonds payable	(16,170)
	$ 292,920

A. The Board of Directors have adopted a resolution during their meeting on October 25, 2013 to issue secured convertible corporate bonds for the third time, in order to obtain working capital for the acquisition of an office building and office equipment, and redecoration. The issuance was approved by Financial Supervisory Commission, with the pricing for the fund-raising activities set on November 15, 2013 and took place on November 27, 2013. The main terms are as follows:

(a) Total amount issued: $300 million.

(b) Issuance price: Issued at par of $100,000 per bond

(c) Coupon rate and repayment: annual interest rate of 0%; except for redemption, conversion and retirement, cash repayment equals the carrying amount at maturity plus the interest payable refund (interest payable refund equals 103.03% of the carrying amount at maturity and the actual annual percentage yield is 1%).

(d) Term of issuance: 3 years.

(e) Redemption:

i. For the periods between the next day of one month after issuance of convertible bonds (December 28, 2013) until 40 days before maturity (October 17, 2016), if the closing price of the Company's common stock exceeds 30% of the current conversion price for 30 consecutive business days, the Company shall notify bondholders to redeem all bonds at par value with cash within 30 business days.

ii. For the periods between the next day of one month after issuance of convertible bonds until 40 days before maturity (October 17, 2016), the Company shall notify bondholders to redeem all bonds at par value with cash if the remaining balance of convertible bonds outstanding is lower than 10% of the total amount at issuance.

(f) Conversion period: Except for redemption, conversion and book closure dates under the laws or agreed otherwise (if any), the conversion period starts from the next day of one month after issuance and ends on the tenth day before maturity.

(g) Conversion price and adjustment: The conversion price was set to be $27 at issuance; however, if there is ex-right or ex-dividend before the pricing date of the corporate bond, the Company shall then use the closing price for conversion calculation after considering right or dividend distributed; if ex-right occurs before the actual issuance date after the conversion price is determined, the price shall adjusted in accordance with the formula.

(h) No violation to the following after bond issuance: The corporate bondholders may not receive dividend before conversion, but have the same rights to dividends as other holders of common stock after conversion.

(i) The effective rate of the corporate bond is 1.82%.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to $2,310 were separated from the liability component and were recognised in 'capital surplus—stock warrants' in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts.

(9)<u>Pensions</u>

A.(a)The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension 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 a retirement fund monitoring committee. The Company has set a pension plan in accordance with the above plans for general managers who are not applicable to the Labor Standards Law to pay pension with their salary monthly.

(b)The amounts recognized in the balance sheet are determined as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded obligations	$ 11,562	$ 7,802	$ 7,355
Fair value of plan assets	(13,572)	(11,840)	(10,062)
Present value of unfunded obligations	(2,010)	(4,038)	(2,707)
Net asset in the balance sheet	($ 2,010)	($ 4,038)	($ 2,707)

(c)Changes in present value of funded obligations are as follows:

	2013	2012
Present value of funded obligations		
At January 1	$ 7,802	$ 7,355
Current service cost	-	-
Interest expense	137	147
Actuarial profit and loss	(297)	300
Past service cost	3,920	-
At December 31	$ 11,562	$ 7,802

(d)Changes in fair value of plan assets are as follows:

	2013	2012
Fair value of plan assets		
At January 1	$ 11,840	$ 10,062
Expected return on plan assets	221	219
Actuarial profit and loss	(65)	(114)
Employer contributions	1,576	1,673
At December 31	$ 13,572	$ 11,840

(e)Amounts of expenses recognised in statements of comprehensive income are as follows:

	2013	2012
Current service cost	$ -	$ -
Interest cost	137	147
Expected return on plan assets	(221)	(219)
Past service cost	3,920	-
Underestimate	(227)	-
Current pension costs	$ 3,609	($ 72)

Details of cost and expenses recognised in statements of comprehensive income are as follows:

	2013	2012
Cost of sales	$ 559	$ -
Selling expenses	245	-
General and administrative expenses	638	-
Research and development expenses	2,167	-
Other income	-	(72)
	$ 3,609	($ 72)

(f)Amounts recognised under other comprehensive income are as follows:

	2013	2012
Recognition for current period	$ -	$ 414
Accumulated amount	$ 414	$ 414

(g)The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of December 31, 2013 and 2012 is given in the Annual Labor Retirement Fund Utilisation Report published by the government. Expected return on plan assets was a projection of overall return for the obligation period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by Taiwan local banks.

For the years ended December 31, 2013 and 2012, the actual return on plan assets were both $106.

(h)The principal actuarial assumptions used were as follows:

	2013	2012	2011
Discount rate	2%	1.75%	2%
Future salary increases	3%	3%	3%
Expected return on plan assets	2%	1.75%	2%

For the years ended December 31, 2013, and December 31, 2012 and 2011, assumptions regarding future mortality rate were estimated in accordance with the Taiwan Standard Ordinary Experience Mortality Table (2008) and the Taiwan Standard Ordinary Experience Mortality Table (1999).

(i)Historical information of experience adjustments was as follows:

	2013	2012
Present value of defined benefit obligation	$ 11,859	$ 7,502
Fair value of plan assets	(13,572)	(11,840)
Surplus in the plan	($ 1,713)	($ 4,338)
Experience adjustments on plan liabilities	($ 297)	($ 300)
Experience adjustments on plan assets	$ 65	$ 114

(j)Expected contributions to the defined benefit pension plan of the Company within one year from December 31, 2013 amounts to $1,577.

B.(a)Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act, covering all regular employees with R.O.C. nationality. 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 paid monthly or in lump sum upon termination of employment.

(b)The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2013 and 2012 were $4,654 and $4,874, respectively.

(10) Share capital

As of December 31, 2013, the Company's authorized capital was $1,000,000, consisting of 100,000 thousand shares of ordinary stock, and the paid-in capital was $386,151, with a par value of $10 (in NT dollars) per share. All proceeds from shares issued have been collected.

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

	2013	2012
At January 1	$ 38,615,110	$ 38,615,110
At December 31	$ 38,615,110	$ 38,615,110

(11) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2013		
	Share premium	Stock warrants	Others
At January 1	$ 367,915	$ -	$ 1,218
Issuance of convertible corporate bonds	-	2,310	-
At December 31	$ 367,915	$ 2,310	$ 1,218

(12) 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 negative items in stockholders' equity shall be set aside as special reserve according to ROC Securities regulations. The balance shall be appropriated as follows:

(a)No less than 5% as bonuses to employees;
(b)2% as remuneration to directors; and
(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. As the Company's industry is in the growth stage, in order to be in line with the industry's overall environment and its characteristics and pursue the goals of the Company's sustainable operations and shareholders' long-term interests, the dividend policy is adopted taking into consideration the Company's actual operating results of the dividend distribution year and the capital budget planning of the following year. Dividends are distributed in the form of stock or cash. According to the Company's dividend policy, cash dividends shall account for at least 10% of the total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks 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 the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D.(a)In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When the debit balance on other equity items is reversed subsequently, the amount of the associated special reserve could be released and included in the distributable earnings.

(b)The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. For the years ended December 31, 2013 and 2012, employees' bonus was accrued at $13,000 and $20,129, respectively; and directors' and supervisors' remuneration were accrued at $1,182 and $1,610, respectively. Employees' bonus and directors' and supervisors' remuneration of 2012 as resolved by the stockholders were in agreement with those amounts recognised in the 2012 financial statements. If the estimated amounts are different from the actual 2013 distribution of earnings, the difference will be recognized as gain or loss in 2014.

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

F. Dividends distributed to owners both amounted to $46,338 ($1.2 (in dollars) per share) for the years ended December 31, 2013 and 2012. On June 19, 2013 , the Board of Directors proposed to distribute dividends of $46,338 at $1.2 (in dollars) per share for 2012.

(13) Finance costs

	For the years ended December 31,	
	2013	2012
Interest expense		
Bank borrowings	$ 12	$ 1
Convertible bonds	200	-
	$ 212	$ 1

(14) Expenses by nature

	For the years ended December 31,	
	2013	2012
Employee benefit expense	$ 128,405	$ 139,322
Depreciation charges on property, plant and equipment	9,883	12,241
Amortisation charges on intangible assets	20,061	20,105
Raw materials and supplies used	486,556	526,814
Change in inventory of finished goods and work-in-process	(37,927)	(58,393)
Out sourced manufacturing cost	353,952	380,584
Other expenses	93,512	95,243
Operating costs and operating expenses	$ 1,054,442	$ 1,115,916

(15) Employee benefit expense

	For the years ended December 31,	
	2013	2012
Wages and salaries	$ 109,974	$ 123,839
Labor and health insurance fees	7,882	8,095
Pension costs	8,263	4,874
Other personnel expenses	2,286	2,514
	$ 128,405	$ 139,322

(16) Other income (expenses)

	For the years ended December 31,	
	2013	2012
Interest income		
Interest income from bank deposits	$ 3,825	$ 4,576
Other interest income	8	8
Net currency exchange gain (loss)	14,827	(6,484)
Other income	4,030	1,807
	$ 22,690	($ 93)

(17) Other gains and losses

	For the years ended December 31,	
	2013	2012
Net currency exchange gain (loss)	$ 4,557	($ 10,232)
Net gain on financial assets at fair value through profit or loss	30	-
Loss on disposal of property, plant and equipment	-	(66)
Other losses	(1,001)	(11,522)
	$ 3,586	($ 21,820)

(18) Income tax

A. Income tax expense

(a)Components of income tax expense:

	For the years ended December 31,	
	2013	2012
Current tax：		
Current tax on profits for the period	$ 10,460	$ 12,805
Adjustments in respect of prior years	-	3
Total current tax	10,460	12,808
Deferred tax：		
Origination and reversal of temporary differences	23,889	4,479
Income tax expense	$ 34,349	$ 17,287

(b)The income tax (charge)/credit relating to components of other comprehensive income: None.

(c)The income tax charged / (credited) to equity during the period: None.

B.Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2013	2012
Tax calculated based on profit before tax and statutory tax rate	$ 17,005	$ 17,731
Effects from items disallowed by tax regulation	29	416
Additional 10% tax on undistributed earnings	3,418	4,783
Under provision of prior year’s income tax	-	3
Effect from investment tax credits	13,897	(5,646)
Tax expense	$ 34,349	$ 17,287

C. Amounts of deferred tax assets or liabilities as a result of temporary differences,and investment tax credits are as follows:

	For the year ended December 31, 2013		
	January 1	Recognised in profit or loss	December 31
Deferred tax assets：			
Temporary differences：			
Allowance for decline in market value and obsolescence of inventories	$ 2,123	$ 731	$ 2,854
Unrealised exchange loss (gain)	2,399	(2,840)	(441)
Allowance for bad debts	20	(20)	-
Payable on re-work	578	(34)	544
Interest expense amortised from convertible corporate bond discount	-	34	34
Valuation adjustment of convertible corporate bonds	-	(5)	(5)
Investment tax credits	21,755	(21,755)	-
	$ 26,875	($ 23,889)	$ 2,986

	For the year ended December 31, 2012		
	January 1	Recognised in profit or loss	December 31
Deferred tax assets：			
Temporary differences：			
Allowance for decline in market value and obsolescence of inventories	$ 2,168	($ 45)	$ 2,123
Unrealised exchange loss	272	2,127	2,399
Allowance for bad debts	-	20	20
Payable on re-work	-	578	578
Investment tax credits	28,914	(7,159)	21,755
	$ 31,354	($ 4,479)	$ 26,875

D. The amounts of deductible temporary differences that are not recognised as deferred tax assets are as follows: None.

E. The Company's income tax returns have been assessed and approved by the Tax Authority through 2011.

F. Unappropriated retained earnings:

	December 31, 2013	December 31, 2012	January 1, 2012
Earnings generated in and after 1998	$ 144,213	$ 133,817	$ 104,021

G. As of December 31, 2013, December 31, 2012 and January 1, 2012, the balance of the imputation tax credit account was $10,880, $5,048 and $410, respectively. The creditable tax rate was 13.34% for 2012 and is estimated to be 7.54% for 2013.

H. 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 December 31, 2013, 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	Sep-08	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	Oct-12	2014.01.01~ 2017.09.30

According to Statute for Upgrading Industries (before its abolishment), details of investment tax credits and unrecognised deferred tax assets are as follows:

December 31, 2013: None.

December 31, 2012

Qualifying item	Unused tax credits	Unrecognised deferred tax assets	Final year tax credits are due
Research and development	$ 21,755	$ -	2013

January 1, 2012

Qualifying item	Unused tax credits	Unrecognised deferred tax assets	Final year tax credits are due
Research and development	$ 28,914	$ -	2013

(19) Earnings per share

	For the year ended December 31, 2013		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands of shares)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to equity holders of the company	$ 65,680	38,615	$ 1.70
Diluted earnings per share			
Profit attributable to equity holders of the company	$ 65,680		
Assumed conversion of all dilutive potential ordinary shares			
Convertible corporate bonds	170	1,035	
Employees' bonus	-	790	
Profit attributable to equity holders of the company plus assumed conversion of all dilutive potential ordinary shares	$ 65,850	40,440	$ 1.63

	For the year ended December 31, 2012		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands of shares)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to equity holders of the company	$ 87,011	38,615	$ 2.25
Diluted earnings per share			
Profit attributable to equity holders of the company	$ 87,011		
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	985	
Profit attributable to equity holders of the company plus assumed conversion of all dilutive potential ordinary shares	$ 87,011	39,600	$ 2.20

(20) Operating leases

The Company leases office assets under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and all these lease agreements are renewable at the end of the lease period. Contingent rents of $3,664 and $3,690 were recognised for these leases in profit or loss for the years ended December 31, 2013 and 2012, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than one year	$ 3,244	$ 1,878	$ 435
Later than one year but not later than five years	287	1,408	761
	$ 3,531	$ 3,286	$ 1,196

(21) Non-cash transaction

Investing activities with partial cash payments:

	For the years ended December 31,	
	2013	2012
Purchase of fixed assets	$ 4,118	$ 3,602
Add: opening balance of payable on equipment	525	45
Less: ending balance of payable on equipment	(2,199)	(525)
Cash paid during the period	$ 2,444	$ 3,122

7. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

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

(2) Significant transactions and balances with related parties: None

(3) Key management compensation

For the years ended December 31, 2013 and 2012, the salaries and rewards information of key management were as follows:

	For the years ended December 31,	
	2013	2012
Salaries and other short-term employee benifits	$ 13,204	$ 14,495
Post-employment benefits	4,040	106
	$ 17,244	$ 14,601

8. PLEDGED ASSETS

The Company’s assets pledged as collateral are as follows:

	Book value			
Pledged asset	December 31, 2013	December 31, 2012	January 1, 2012	Purpose
Time Deposit (shown under other current assets)	$ 541	$ 534	$ 529	Guarantees for customs duty on imports
Land, housing and construction	231,656	-	-	Bonds payable
	$ 232,197	$ 534	$ 529	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1)Contingencies: None.

(2)Commitments: Operating lease commitments are provided in Note 6 (20).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) The Board of Directors during its meeting on December 24, 2013 resolved to acquire real estate from WINSOME DEVELOPMENT CO., LTD. for business operations. The contract amounted to $326 million dollars which was signed by both parties in January 2014.

(2) The appropriations for 2013 proposed by the Board of Directors on February 21, 2014 is as follows:

	For the year ended December 31, 2013	
	Amount	Dividend per share (in dollars)
Legal reserve	$ 6,568	
Cash dividends	46,338	$ 1.2
	$ 52,906	

The appropriations referred to above along with the proposal for remuneration to the directors of $1,182 and bonus to employees of $13,000 for 2013 are to be resolved in the stockholders' meeting.

12. OTHERS

(1) Capital risk management

In order to safeguard the Company's ability to adapt to the changes in the industry and to accelerate the new product development, the Company'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. Fair value information of financial instruments

Except those listed in the table below, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits, notes payable, accounts payable and other payables) are approximate to their fair values.

	December 31, 2013	
	Book value	Fair value
Financial assets:		
Other financial assets	$ 541	$ 541
Financial liabilities:		
Bonds payable	$ 292,920	$ 292,920

	December 31, 2012	
	Book value	Fair value
Financial assets:		
Other financial assets	$ 534	$ 534

	January 1, 2012	
	Book value	Fair value
Financial assets:		
Other financial assets	$ 529	$ 529

B. Financial risk management policies

(a) The Company's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity 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 position and financial performance.

(b) Risk management is carried out by a finance department under policies approved by the Board of Directors. The Company's finance department identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2013		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 15,929	29.805	$ 474,764
RMB:NTD	8,868	4.904	43,489
Financial liabilities			
Monetary items			
USD:NTD	$ 4,679	29.805	$ 139,458
RMB:NTD	19	4.904	93

	December 31, 2012				
	Foreign Currency Amount (In Thousands)		Exchange Rate	Book Value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	22,499	29.040	$	653,371
RMB:NTD		76	4.660		354
Financial liabilities					
Monetary items					
USD:NTD	$	2,543	29.040	$	73,849
RMB:NTD		75	4.660		350

	January 1, 2012				
	Foreign Currency Amount (In Thousands)		Exchange Rate	Book Value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	14,540	30.275	$	440,199
RMB:NTD		284	4.807		1,365
Financial liabilities					
Monetary items					
USD:NTD	$	1,789	30.275	$	54,162
RMB:NTD		131	4.807		630

● Analysis of foreign currency market risk arising from significant foreign exchange variation:

	For the year ended December 31, 2013		
	Sensitivity Analysis		
(Foreign currency: functional currency)	Extent of Variation	Effect on Profit or Loss	Effect on Other Comprehensive Income
Financial assets			
Monetary items			
USD:NTD	1%	$ 4,748	$ -
RMB:NTD	1%	435	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 1,395)	$ -
RMB:NTD	1%	(1)	-

	For the year ended December 31, 2012		
	Sensitivity Analysis		
(Foreign currency: functional currency)	Extent of Variation	Effect on Profit or Loss	Effect on Other Comprehensive Income
Financial assets			
Monetary items			
USD:NTD	1%	$ 6,534	$ -
RMB:NTD	1%	4	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 738)	$ -
RMB:NTD	1%	(4)	-

(b)Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company 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 deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. The Company had been neither past due nor impaired is provided in the statement for each type financial assets in Note 6.

iv. The Company had been due nor impaired is provided in the statement for each type financial assets in Note 6.

v. The individual analysis of financial assets that had been impaired is provided in Note 6.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by finance department. Finance department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the finance department. Finance department invests surplus cash in interest bearing current accounts and time deposits choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at December 31, 2013, December 31, 2012 and January 1, 2012, the Company held money market position of $802,251, $522,341 and $540,335, respectively, and other liquid assets of $541, $534 and $529, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining periods at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The Company has no derivative financial liabilities.

Non-derivative financial liabilities: December 31, 2013	Less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Book value
Accounts payable	$ 179,757	$ -	$ -	$ -	$ 179,757
Other payables	32,014	37,684	-	-	69,698
Long-term payables	-	-	4,694	-	4,694
Bonds payable	-	-	-	292,920	292,920

December 31, 2012	Less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Book value
Accounts payable	$ 117,672	$ -	$ -	$ -	$ 117,672
Other payables	25,492	31,281	-	-	56,773
Long-term payables	-	-	6,138	4,604	10,742

January 1, 2012	Less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Book value
Accounts payable	$ 84,420	$ -	$ -	$ -	$ 84,420
Other payables	17,933	43,886	-	-	61,819

(3) Fair value estimation

A. The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3: Inputs for the asset or liability that are not based on observable market data.

The Company's financial assets and liabilities that are measured at fair value are as follows:

December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Redemption of convertible corporate bonds	$ -	$ 60	$ -	$ 60

B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and debt instruments classified as financial assets and liabilities at fair value through profit or loss or available-for-sale financial assets.

C. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

D. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

E. Specific valuation techniques used to value financial instruments include:

(a) Quoted market prices or dealer quotes for similar instruments.

(b) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

(a) Loans granted: None.

(b) Endorsements and guarantees provided by the Company to others: None.

(c) Holding of securities as of December 31, 2013: 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 $300 million or 20% of paid-in capital or more:

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:				Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount			
The Company	Land and buildings	December 24, 2013	$ 326,000	In accordance with the contract terms	WINSOME DEVELOPMENT CO., LTD.	None	None	None	None	None	Prices estimated by professional valuation institutions	Used for operations	None

(f) Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

(g) Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

(h) Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

(i) Derivative financial instruments undertaken: None.

(2) Information on investees

None.

(3) Information on investments in Mainland China

None.

14. SEGMENT INFORMATION

(1)General information

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

(2)Measurement of 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)Reconciliation for segment income (loss)

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

(4)Geographical information

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

	For the years ended December 31,			
	2013		2012	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 554,239	$ 305,440	$ 890,669	$ 311,901
China	553,440	-	342,784	-
Others	20,728	-	8,675	-
	$ 1,128,407	$ 305,440	$ 1,242,128	$ 311,901

(5)Major customer information

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

	For the years ended December 31,			
	2013		2012	
	Revenue	Segment	Revenue	Segment
A	$ 463,737	The whole company	$ 169,142	The whole company
B	360,471	The whole company	110,514	The whole company
C	131,315	The whole company	153,379	The whole company
D	-	-	660,502	The whole company

15. INITIAL APPLICATION OF IFRSs

These financial statements are the first financial statements prepared by the Company in accordance with the IFRSs. The Company has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP 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 Company, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Company'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 Company

A. Employee benefits

The Company has elected to recognize all cumulative actuarial gains and losses relating to all employee benefit plans in 'retained earnings' at the transition date, and to disclose the information of present value of defined benefit obligation, fair value of plan assets, gain or loss on plan assets and experience adjustments under the requirements of paragraph 120A (P), IAS 19, 'Employee Benefits', based on their prospective amounts for financial periods from the transition date.

B. Share-based payment transactions

The Company has elected not to apply the requirements in IFRS 2, 'Share-based Payment', retrospectively to equity instruments that were vested arising from share-based payment transactions prior to the transition date.

(2)Except for 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 Company, other exceptions to the retrospective application are set out below:

A. Accounting estimates

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

B. Derecognition of financial assets and financial liabilities

The derecognition requirements in IAS 39, 'Financial Instruments: Recognition and Measurement' shall be applied prospectively to transactions occurring on or after January 1, 2004.

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

IFRS 1 requires that an entity should prepare reconciliations for equity, comprehensive income and cash flows for the comparative periods. The Company's initial application of IFRSs has no significant effect on cash flows from operating activities, investing activities and financing activities. Reconciliations 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 on January 1, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current assets				
Cash and cash equivalents	$ 540,773	$ -	$ 540,773	
Accounts receivable	189,868	-	189,868	
Other receivables	919	-	919	
Inventories	83,114	-	83,114	
Prepayments	8,144	-	8,144	
Other current assets	529	-	529	
Deferred income tax assets-current	19,814	(19,814)	-	(a)
Total current assets	843,161	(19,814)	823,347	
Non-current assets				
Property, plant and equipment	266,493	-	266,493	
Intangible assets	45,632	-	45,632	
Deferred income tax assets	11,540	19,814	31,354	(a)
Other non-current assets	3,620	142	3,762	(b)
Total non-current assets	327,285	19,956	347,241	
Total assets	$ 1,170,446	$ 142	$ 1,170,588	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current liabilities				
Accounts payable	$ 84,420	$ -	$ 84,420	
Other payables	59,602	2,217	61,819	(c)
Current income tax liabilities	10,175	-	10,175	
Other current liabilities	3,793	-	3,793	
Total current liabilities	157,990	2,217	160,207	
Total liabilities	157,990	2,217	160,207	
Equity attributable to owners of the parent				
Share capital				
Common stock	386,151	-	386,151	
Capital surplus	369,133	-	369,133	
Retained earnings				
Legal reserve	151,076	-	151,076	
Unappropriated retained earnings	106,096	(2,075)	104,021	(b)(c)
Total equity	1,012,456	(2,075)	1,010,381	
Total liabilities and equity	$ 1,170,446	$ 142	$ 1,170,588	

B. Reconciliation for equity on December 31, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current assets				
Cash and cash equivalents	$ 522,764	$ -	$ 522,764	
Accounts receivable	255,776	-	255,776	
Other receivables	6,429	-	6,429	
Inventories	118,332	-	118,332	
Prepayments	3,372	-	3,372	
Other current assets	534	-	534	
Deferred income tax assets-current	26,875	(26,875)	-	(a)
Total current assets	934,082	(26,875)	907,207	
Non-current assets				
Property, plant and equipment	257,636	-	257,636	
Intangible assets	54,265	-	54,265	
Deferred income tax assets	-	26,875	26,875	(a)
Other non-current assets	5,098	-	5,098	(b)
Total non-current assets	316,999	26,875	343,874	
Total assets	$ 1,251,081	$ -	$ 1,251,081	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current liabilities				
Accounts payable	$ 117,672	$ -	$ 117,672	
Other payables	51,835	4,938	56,773	(c)
Current income tax liabilities	12,400	-	12,400	
Other current liabilities	2,854	-	2,854	
Total current liabilities	184,761	4,938	189,699	
Non-current liabilities				
Long-term payable	10,742	-	10,742	
Total non-current liabilities	10,742	-	10,742	
Total liabilities	195,503	4,938	200,441	
Equity attributable to owners of the parent				
Share capital				
Common stock	386,151	-	386,151	
Capital surplus	369,133	-	369,133	
Retained earnings				
Legal reserve	161,539	-	161,539	
Unappropriated retained earnings	138,755	(4,938)	133,817	(c)
Total equity	1,055,578	(4,938)	1,050,640	
Total liabilities and equity	$ 1,251,081	$ -	$ 1,251,081	

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

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Operating Revenue	$ 1,242,128	$ -	$ 1,242,128	
Operating Costs	(908,291)	(613)	(908,904)	(b)(c)
Gross profit	333,837	(613)	333,224	
Operating Expenses				
Selling expenses	(21,844)	(154)	(21,998)	(b)(c)
General and administrative expenses	(38,947)	(436)	(39,383)	(b)(c)
Research and development expenses	(144,313)	(1,318)	(145,631)	(b)(c)
Total operating expenses	(205,104)	(1,908)	(207,012)	
Operating profit	128,733	(2,521)	126,212	
Non-operating income and expenses				
Other expenses	(165)	72	(93)	(b)
Other gains and losses	(21,820)	-	(21,820)	
Finance costs	(1)	-	(1)	
Profit before income tax	106,747	(2,449)	104,298	
Income tax expense	(17,287)	-	(17,287)	
Profit for the year	89,460	(2,449)	87,011	
Other comprehensive loss				
Actuarial loss on defined benefit plan	-	(414)	(414)	(b)
Other comprehensive loss for the year, net of tax	-	(414)	(414)	
Total comprehensive income for the year	$ 89,460	($ 2,863)	$ 86,597	

Reasons for differences are outlined below:

Item	Explanations	Accounts	Increase (Decrease) January 1, 2012	Increase (Decrease) December 31, 2012
(a)	In accordance with R.O.C. GAAP, 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.	Deferred income tax assets - current	($ 19,814)	($ 26,875)
		Deferred income tax assets - non-current	19,814	26,875
(b)	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 at the end of the reporting period on high quality corporate bonds of a currency and term consistent with the currency and term of the benefit obligation; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end of the reporting period) instead.	Prepaid pension cost	142	-
		Retained earnings	142	142
		Actuarial loss from benefit pension	-	414
		Operating expenses	-	(200)
		Other income	-	72
	In accordance with the Company's accounting policies, unrecognised transitional net benefit obligation should be amortised on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, the transitional provisions in IAS 19 are not applied to the Company as the first-time adopter of IFRSs, so the Company has no unrecognised transitional liabilities.			
	In accordance with R.O.C. GAAP, the excess of the accumulated benefit obligation over the fair value of the pension plan (fund) assets at the balance sheet date is the minimum amount of pension liability that is required to be recognised on the balance sheet ("minimum pension liability"). However, IAS 19, 'Employee Benefits', has no regulation regarding the minimum pension liability.			

Item	Explanations	Accounts	Increase (Decrease) January 1, 2012	Increase (Decrease) December 31, 2012
	In accordance with R.O.C. GAAP, actuarial pension gain or loss of the Company is recognised in net pension cost of current period using the 'corridor' method. However, in accordance with IAS 19, 'Employee Benefits', actuarial pension gain or loss is recognized immediately in other comprehensive income.			
(c)	R.O.C. GAAP does not specify the rules on the cost recognition for accumulated unused compensated absences. The Company recognises such costs as expenses upon actual payment. However, IAS 19, 'Employee Benefits', requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period.	Accrued expenses	2,217	4,938
		Retained earnings	(2,217)	(2,217)
		Operating costs	-	613
		Operating expenses	-	2,108

D. Major adjustments for the statement of cash flows for the year ended December 31, 2012:

(a) Under R.O.C. GAAP, payment of interest and receipt of interest and dividend are both included in cash flows from operating activities. However, under IFRSs, payment of interest and receipt of interest and dividend are classified as cash flows from financing activities and from investing activities, respectively, when they are the cost for acquisitions of financial resources or the return on investments.

(b) Under R.O.C. GAAP, payment of dividend is included in cash flows from financing activities. However, under IFRSs, when payment of dividend is to help users of financial statements to assess the ability of an entity to pay dividend by using operating cash flows, it is classified as cash flows from operating activities.

(c) The transition from R.O.C. GAAP to IFRSs has no effect on the Company’s cash flows reported.

(d) The reconciliation between R.O.C. GAAP and IFRSs has no net effect on the Company’s cash flows reported.